



Date: February 12, 2013
To: Bryan H. Montgomery, City Manager
From: Paul Abelson, Finance Director
SUBJECT: Resolution Approving Successor Agency Mid-Year Financial Status Report

Approved and Forwarded to the Oakley
City Council, as the Board of the
Successor Agency to the Oakley
Redevelopment Agency


Bryan H. Montgomery, City Manager

Background and Analysis

The Successor Agency follows a statutory process for its spending plan defined by the State and subject to their approval each six-months, commonly referred to as its ROPS process (ROPS standing for the Recognized Obligations Payment Schedule that defines allowable expenditures). City policy is that a mid-year financial report be presented to the City Council; and because the ROPS process does not adequately do so, Staff has prepared the attached Mid-Year Financial Status Report for the Successor Agency in its place.

Fiscal Impact

There is no fiscal impact resulting from review or approval of the attached report. Staff's intention is to ensure ongoing public financial reporting to the Board consistent with the City's policies governing its other operations.

Recommendation

Staff recommends the Board adopt the Resolution Approving the attached Successor Agency Mid-Year Financial Status Report.

Attachments

1. Mid-Year Financial Status Report
2. Resolution

**City of Oakley, as Successor Agency to the Oakley
Redevelopment Agency
Midyear Financial Status Report
Fiscal Year 2012-13**

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Redevelopment Agency

Presented to the City Council on February 12, 2013

Executive Summary

The details outlined in the report below provide and update to the financial status of the Successor Agency to the Oakley Redevelopment Agency (RDA) at mid-year.

In the separate sections below, our intent is to clearly provide information regarding the assets currently held by the Successor Agency, and the obligations of the Agency. Pursuant to AB 1484, approved by the Governor in June of 2012, DOF has the authority to determine which obligations shall be recognized as “enforceable”.

The Agency anticipates completing two “due diligence” audits this spring (both currently underway), which after presentation to you and the Oversight Board, and approval by DOF, will allow payment to the County Auditor-Controller any appropriate balances, as required by the AB 1x26 and AB 1484. It will also allow the Agency to obtain a “finding of completion”, which provides a list of benefits including the ability to prepare and present a long-term property management and disposition plan to DOF for approval. Unfortunately, until that plan is approved by DOF, the Agency cannot sell or enter into long-term lease arrangements on its property.

Lastly, DOF has determined that all agreements between the City and the RDA were voided by AB x126 and AB 1484; and as a result, all agreements entered into by the City to meet its obligations to the RDA pursuant to the Cooperation Agreement of January 2011, have now become City obligations. For numerous reasons, the City believes the determination is in error and has initiated litigation to resolve the matter. The amount in question relates to the downtown projects and is approximately \$1.575 million; and if the City is required to fund these obligations, the City expects it would become the owner of the related assets.

Summary of Agency Assets

The Successor Agency had on hand at December 31, 2013, the following assets:

Cash held to meet Bond Covenants:

Asset Held:	Restricted Assets	Unrestricted Assets
Cash Reserves for its 2003 Bonds, held by its Trustee	\$ 674,860	
Cash Reserves for its 2008 Bonds, held by its Trustee	\$1,999,750	
Cash Pledged for upcoming 2008 Bond Debt Service payments, held by the Trustee	\$ 2,301	
Totals	<u>\$2,676,911</u>	<u>\$ -0-</u>

Bond Proceeds and Assets having been acquired with Bond Proceeds:

Asset Held:	Restricted Assets	Unrestricted Assets
Bond Proceeds held for Projects (held in a separate account)*	\$3,567,234	
Deposit with the State Treasurer related to a Property Acquisition by eminent domain, funded with Bond Proceeds	\$ 487,757	
Notes Receivable	\$706,273	
Real Property held by the City, purchased with Bond Proceeds	\$9,102,892	
Totals	<u>\$13,864,156</u>	<u>\$ -0-</u>

(The above restricted amounts are restricted to uses authorized by bond covenants. In addition, cash sale proceeds for any property acquired using tax-exempt bond proceeds, must be reinvested in a qualifying public project – typically infrastructure- within two years of the sale, or must be deposited into an escrow to pay off future bonds, as early as permitted by the bond documents. Using the funds for other purposes voids the bond’s tax-exempt status.)

**Bond proceeds held for projects are reported net of outstanding checks and contracts retention payable.*

Assets Not Restricted by Bond Covenants:

Asset Held:	Restricted Assets	Unrestricted Assets
Cash and Investments*		\$450,205
Land purchased originally by the RDA*		\$ 497,410
Other Real Property, constructed by the RDA*		\$2,532,830
Long-Term Notes Receivable		\$ 1,531,679
Totals	<u>\$ -0-</u>	<u>\$5,012,124</u>

**The Agency also has public infrastructure assets on the books totaling \$9,750,891 that are not salable and are expected ultimately to be transferred to the City. The assets include rights of way and street improvements, traffic signals, and other public facilities equipment.*

**Cash and investments are reported net of outstanding checks and deposits.*

Summary of Debts, Project and Administrative Obligations

At December 31, 2013, the Successor Agency had the following Debts:

Debts:	Amount Outstanding
Outstanding 2003 Bonds (including the Housing portion, pursuant to AB 1x26)	\$6,685,000
Outstanding 2008 Tax-Exempt Bonds	\$24,785,000
Outstanding Loan from the City's Impact Fee Funds*	\$1,343,051
Total	<u>\$32,813,051</u>

**These advances were for an affordable housing project, and there is disagreement between the City and DOF regarding whether it constitutes a debt of the Successor Agency, or the Successor Housing Agency.*

Project Obligations

As mentioned in the Assets section above, the City and RDA entered into a Cooperation Agreement. Pursuant to that Agreement, the City had obligations that it was to meet with the assets provided and with its own resources– if necessary. The dissolution of the RDA required the City return the assets to the RDA and ultimately the Successor Agency to the RDA; however, it does not end the expectation that the resources committed by the RDA pursuant to the Agreement will be used to satisfy the obligations the City made to others while carrying out its obligations, as promised while the Agreement was operative.

As the Successor Agency, the Board has adopted a Recognized Obligations Payment Schedule which in addition to payments for the RDA's debt service and administration, includes payments for the of obligations for projects and administration, resulting from the Cooperation Agreement.

The list of projects still obligated at December 31, 2013 includes the following (along with an estimated remaining project cost):

Project Obligations	Estimated Amount
Downtown DDA with Manuel's Five Star Restaurants, for construction of a new landmark restaurant building at the corner of Main Street and Vintage Parkway	Project administration is in final closeout, amounts still due are estimated at \$300,000.
Construction of additional retail space attached to the new landmark restaurant	Project administration is in final closeout, amounts still due are estimated at \$17,500
Downtown Public Plaza adjacent to the two new restaurants, and in front of the existing Oakley Plaza and Centro Mart properties	\$1,000,000
Façade and other Building Improvements to the Centro Mart buildings	\$500,000

Main Street Improvements in front of the Downtown Projects and City Hall, and Downtown Parking Lots	\$2,878,000
Estimated Staff Costs for processing and overseeing the projects	\$90,000
Directional/Wayfinding Signage Projects	\$52,000
Frontage Improvements on Main Street between the Raley's Shopping Center and Shurgard Storage Center	\$800,000
There will also be some exit costs associated with a project being dropped, to preserve assets pursuant to AB 1x26. We do not yet know what the Court will order regarding the costs, but it is likely significantly less than the \$487,000 on deposit with the State Treasurer required for the originally planned property acquisition.	TBD
Total	<u>\$5,637,500</u>

Pursuant to AB 1x26, at December 31, 2013, the Successor Agency had the following Administrative/Other Obligations:

Other Financial Obligations:

Local agency pass-throughs obligations have been transferred to the County Auditor Controller. They are paid after bond debt service, so long as and to the extent tax increment is sufficient. Any amounts the County is unable to pay become future obligations, also administered by the County Auditor Controller. The amount of pass-through obligations from prior years yet to be paid by the County Auditor was \$641,674.

Under the new law, the Successor Agency receives tax revenues only in amounts necessary to pay recognized, enforceable obligations, which means the

Agency does, and will continue, to exist in survival mode financially speaking. Its financial position is never expected to again become “strong”, and it will require vigilance to ensure cash flows requested far in advance, as mandated by DOF, remain sufficient to meet upcoming obligations.

The Agency has a financial obligation to pay the City amounts for administering and staffing the Successor Agency. The amount is 3% of the tax increment, but no less than \$250,000 per year, and is subordinated to both debt service and pass-through obligations. In fiscal year 2012-13, tax increment and other revenues are expected to be insufficient to pay the City the full amount prescribed, so the City has agreed to lend the Agency up to \$250,000 to pay for administrative allowance. The loan becomes a subordinate but enforceable obligation; so the City will be repaid, but repayment could be many years in the future.

Performance Obligations:

The Successor Agency is obligated to perform the following activities:

- Coordinate with the County Auditor Controller regarding the administration of Tax Increment, and the repayment of the Agency’s debts, including pass-throughs to other local agencies.
- Administer the Agency’s funds and resources to preserve the maximum value for local agencies; including the continued maintenance and management of properties until they are sold.
- Satisfy all outstanding enforceable obligations of the Agency timely, including bond covenants, using the resources of the Successor Agency and those provided by the County Auditor pursuant to AB 1x26 and AB 1484, as approved by the Department of Finance. This means the Agency must meet both the financial obligations of the Agency, as well as the performance obligations, including projects as well as debt and administration related obligations.
- To prepare Recognized Obligations Payment Schedules for each 6-month period, as required by the Dissolution Act, for approval by the Oversight Board and Department of Finance.
- Complete the required audits and Due Diligence engagements of the Agency, as required by AB 1x26 and AB 1484.
- Arrange for the external audit of the Successor Agency, as required to meet bond covenants for the June 30, 2013 audit and each year thereafter until the Agency is terminated.

RESOLUTION NO. SA 02-13

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF OAKLEY, AS
SUCCESSOR AGENCY TO THE OAKLEY REDEVELOPMENT AGENCY,
APPROVING THE MID-YEAR FINANCIAL STATUS REPORT

NOW, THEREFORE, BE IT RESOLVED that the City Council, as the Board of the Successor Agency of the Oakley Redevelopment Agency, approves the Mid-Year Financial Status Report attached hereto as Exhibit A.

The foregoing resolution was adopted at a regular meeting of the City Council, held on the 12th day of February 2013, by the following vote:

AYES: Burgis, Hardcastle, Pope, Rios, Romick

NOES:

ABSTENTION:

ABSENT:

APPROVED:



Kevin Romick, Chair

ATTEST:



Libby Vreonis, Secretary

2-21-13

Date