

Regular Meeting Agenda August 8, 2012

Board Members

Mr. Ed Garcia, Chair
*Orange County Board of
Supervisors Representative*

Mr. Bill Heaton, Vice-Chair
*Orange County Board of
Supervisors Representative*

Mr. Craig Green
*City of Placentia Mayor's
Representative*

Mr. Troy Butzlaff, ICMA-CM
*Former Redevelopment Agency
of the City of Placentia
Employee's Representative*

Ms. Joan Velasco
*County Superintendent of
Education Representative*

Mr. Al Shkoler
*Placentia Library District
Representative*

Mr. Rodrigo Garcia
*Chancellor of the California
Community College
Representative*

Staff

Ken Domer
Executive Director

Tania Moreno
Clerk of the Board

**City of Placentia
C/O Oversight Board
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Placentia, CA 92870**

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Oversight Board of the Successor Agency to the Redevelopment Agency of the City Of Placentia

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Procedures for Addressing the Board Members

Any person who wishes to speak regarding an item on the agenda or on a subject within the Oversight Board's jurisdiction during the "Oral Communications" portion of the agenda should fill out a "Speaker Request Form" and give it to the Clerk of the Board BEFORE that portion of the agenda is called. Testimony for Public Hearings will only be taken at the time of the hearing. Any person who wishes to speak on a Public Hearing item should fill out a "Speaker Request Form" and give it to the Clerk of the Board BEFORE the item is called.

PLEASE SILENCE ALL PAGERS, CELL PHONES, AND OTHER ELECTRONIC EQUIPMENT WHILE BOARD MEMBERS ARE IN SESSION.

Special Accommodations

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the Clerk of the Board's Office at (714) 993-8231. Notification 48 hours prior to the meeting will generally enable Staff to make reasonable arrangements to ensure accessibility. (28 CFR 35.102.35.104 ADA Title II)

In compliance with California Government Code § 54957.5, any writings or documents provided to a majority of the Oversight Board regarding any item on this agenda that are not exempt from disclosure under the Public Records Act will be made available for public inspection at the Clerk of the Board's Office at City Hall, 401 East Chapman Avenue, Placentia, during normal business hours.

**OVERSIGHT BOARD
OF THE SUCCESSOR AGENCY TO THE
REDEVELOPMENT AGENCY OF THE CITY OF PLACENTIA
REGULAR MEETING AGENDA
August 8, 2012
4:00 p.m. – City Council Chambers
401 E. Chapman Avenue, Placentia, CA**

CALL TO ORDER:

ROLL CALL: Chair Ed Garcia
Vice-Chair Heaton
Board Member Butzlaff
Board Member Rodrigo Garcia
Board Member Green
Board Member Shkoler
Board Member Velasco

PLEDGE OF ALLEGIANCE: Board Member Shkoler

ORAL COMMUNICATIONS:

At this time the public may address the Oversight Board concerning any agenda item or on matters within the jurisdiction of the Oversight Board.

1. PRESENTATIONS/ADMINISTRATIVE REPORTS

- a. Executive Director's Report
 - 1. Update on July "True-Up" Payments to OC Auditor-Controller
 - 2. Implementation of Assembly Bill 1484
 - 3. Housing Asset List Submitted to Department of Finance
 - 4. Audit per Health and Safety Code § 34179.5

2. CONSENT CALENDAR:

- a. **Minutes for June 13, 2012**
Recommended Action: It is recommended that the Oversight Board:
 - 1) Approve the minutes of the June 13, 2012 Oversight Board Meeting

3. OLD BUSINESS: None

4. NEW BUSINESS:

- a. **Approval of the Recognized Obligation Payment Schedule (ROPS III) for the Period Covering January 1, 2013 to June 30, 2013**

- Recommended Action: It is recommended that the Oversight Board:
- 1) Adopt Resolution OB-2012-09, A Resolution of the Oversight Board to the Successor Agency of the Redevelopment Agency of the City of Placentia, California, approving a Recognized Obligation Payment Schedule for the period covering January 1, 2013 to June 30, 2013

- b. **Approval of a Process in which to Conduct the Due Diligence Review Required by California Health and Safety Code § 34179.5**

- Recommended Action: It is recommended that the Oversight Board:
- 1) Adopt Resolution OB-2012-10, A Resolution of the Oversight Board to the Successor Agency of the Redevelopment Agency of the City of Placentia, California, approving a process using Orange County Auditor-Controller approved professional accounting firms to complete the due diligence review in compliance with HSC § 34179.5

c. **Approval of a Process and Contracts for Financial Advisory Services in which to Preliminarily Review the Refinancing of the 2009 Subordinate Tax Allocation Notes**

Recommended Action: It is recommended that the Oversight Board:

- 1) Adopt Resolution OB-2012-11, A Resolution of the Oversight Board to the Successor Agency of the Redevelopment Agency of the City of Placentia, California, approving a process to begin the preliminary review of refinancing the 2009 Subordinate Tax Allocation Notes
- 2) Approve the Successor Agency actions to hire Harrell & Company, Financial Advisors, LLC and Jones Hall, bond counsel, for preliminary Financial Advisory Services related to the 2009 Subordinate Tax Allocation Notes

BOARD MEMBERS COMMENTS AND REQUESTS:

Board Members may make requests or ask questions of Staff. If a Board Member would like formal action on any item it will be placed on a future Board Agenda.

ADJOURNMENT:

The Oversight Board will adjourn to Wednesday, September 12, 2012 at 4:00 p.m.

CERTIFICATION OF POSTING

I, Tania Moreno, Clerk of the Board, hereby certify that the Agenda for the August 8, 2012 meeting of the Oversight Board was posted on August 2, 2012.

Tania Moreno, Clerk of the Board

**OVERSIGHT BOARD
OF THE SUCCESSOR AGENCY TO THE
REDEVELOPMENT AGENCY OF THE CITY OF PLACENTIA
REGULAR MEETING MINUTES
June 13, 2012
4:00 p.m. – City Council Chambers
401 E. Chapman Avenue, Placentia, CA**

CALL TO ORDER: Chair Ed Garcia called the meeting to order at 4:00 p.m.

ROLL CALL:

PRESENT: Board Member Ed Garcia, Rodrigo Garcia, Green, Shkoler, Velasco
ABSENT: None

Board Member Rod Garcia arrived at 4:02 p.m.

Board Member Heaton was absent.

Board Member Butzlaff was absent.

PLEDGE OF ALLEGIANCE: Chairperson Ed Garcia

ORAL COMMUNICATIONS: None

1. PRESENTATIONS/ADMINISTRATIVE REPORTS

- a. Executive Director's Report

Executive Director Domer noted that the Staff submitted the Recognized Obligation Payment Schedule to the State Department of Finance and was approved. He noted that the approval letter is on the City's Website. He noted that there will be not meeting in July.

Discussion ensued among Board Members and Staff.

2. CONSENT CALENDAR:

- a. **Minutes for May 9, 2012**

Recommended Action: It is recommended that the Oversight Board:

- 1) Approve the minutes of the May 9, 2012 Oversight Board Meeting

A motion was made by Board Member Shkoler, seconded by Board Member Green, and carried (5 - 0 - 2) to approve the minutes of the May 9, 2012 Oversight Board Meeting.

3. OLD BUSINESS: None

4. NEW BUSINESS:

- a. **Approval of an Administrative Budget Covering the Period of July 1, 2012 to December 31, 2012**

Recommended Action: It is recommended that the Oversight Board:

- 1) Adopt Resolution OB-2012-08, a resolution of the Oversight Board to the Successor Agency of the Redevelopment Agency of the City of Placentia, California, approving an administrative budget for the period covering July 1, 2012 to December 31, 2012

Board Member Green inquired about the administrative budget that will be received by the City.

Executive Director Domer responded that there is still an allocation cost tier. He noted that administration cost is not capture during the first half of the year.

Board Member Green noted that the goal should be to capture the entire amount.

A motion was made by Board Member Green, seconded by Board Member Rod Garcia, and carried (5 - 0 - 2) to adopt Resolution OB-2012-08, A resolution of the Oversight Board to the Successor Agency of the Redevelopment Agency of the City of Placentia, California, approving an administrative budget for the period covering July 1, 2012 to December 31, 2012.

BOARD MEMBERS COMMENTS AND REQUESTS: None

A motion was made by Board Member Shkoler, seconded by Board Member Green, and carried (5 - 0 - 2) to adjourn the meeting of August 8, 2012 to the next regular meeting.

ADJOURNMENT:

The Board of Directors adjourned to the next regular meeting on August 8 at 4:00 p.m.

ED GARCIA, AGENCY CHAIRPERSON

ATTEST:

TANIA A. MORENO, CLERK OF THE BOARD

Oversight Board
of the Successor Agency of the
Redevelopment Agency of the City of Placentia
AGENDA REPORT

TO: BOARD MEMBERS
FROM: EXECUTIVE DIRECTOR
DATE: AUGUST 8, 2012
SUBJECT: **APPROVAL OF THE RECOGNIZED OBLIGATION PAYMENT SCHEDULE (ROPS III) FOR THE PERIOD COVERING JANUARY 1, 2013 TO JUNE 30, 2013**
FISCAL
IMPACT: NONE

SUMMARY:

Based on the dissolution of the Redevelopment Agency of the City of Placentia, and as amended by Assembly Bill 1484 (Chapter 26, June 27, 2012) the Successor Agency is to prepare a Recognized Obligation Payment Schedule (ROPS III) covering the period of January 1, 2013 to June 30, 2013. This action approves the adoption by the Successor Agency of a ROPS covering the six-month reporting period January 1, 2013 to June 30, 2013 in order to provide for review by the State Department of Finance and for the County-Auditor-Controller to allocate property tax increment for payment of debts listed on the ROPS.

RECOMMENDATION:

It is recommended that the Board take the following action:

1. Adopt Resolution OB-2012-09, A Resolution of the Oversight Board to the Successor Agency of the Redevelopment Agency of the City of Placentia, California, approving a Recognized Obligation Payment Schedule for the period covering January 1, 2013 to June 30, 2013.

DISCUSSION:

Based on actions related to the Supreme Court ruling regarding Assembly Bill x1 26 (AB x1 26) which effectively dissolved Redevelopment Agencies as of February 1, 2012, the Successor Agency is to submit to the Oversight Board a Recognized Payment Obligation Schedule for the Period Covering January 1, 2013 to June 30, 2013. This Recognized Obligation Payment Schedule for this period of time is referred to as ROPS III.

The ROPS III must be approved by the Oversight Board no later than September 1, 2012. Per Health & Safety Code § 34177(l), successor agencies have to prepare a ROPS before the six-month fiscal period covered by the ROPS. Based on the enactment of AB 1484, and a subsequent guidance letter from the California Department of Finance (DOF), DOF will have 45 days to review the ROPS and to object to any items that do not meet the definition of an Enforceable Obligation.

4.a.
August 8, 2012

As with the previous ROPS, the ROPS III is in a new format created by the DOF and posted on their website on August 1st. All pass-through agreements have been paid and will no longer be listed on any ROPS. The 2003 Reimbursement Agreement was found to be an enforceable obligation and is listed as such on the ROPS III. Additionally, since the City collects its administrative service fee in the end of the fiscal year, the ROPS III will see the remainder of the Administrative Cost Allowance utilized and reported.

New with the enactment of AB 1484 are draconian penalties for not submitting the ROPS according to the schedule set forth by the DOF. Failure to submit the ROPS will result in a fine of \$10,000 per day, among other actions based on the determination of DOF in its review of the ROPS.

FISCAL IMPACT:

The ROPS lists the enforceable payment obligations of the former agency and Successor Agency and therefore is legally required in order to make payments. The action of the Oversight Board is reviewable by the DOF. The item will be transmitted to the DOF and Orange County Auditor-Controller within three (3) days of adoption and posted on the Successor Agency's website.

Submitted by:



Kenneth A. Domer
Executive Director

Attachment:

Resolution OB-2012-09
Recognized Obligation Payment Schedule for January 1, 2013 to June 30, 2013

RESOLUTION NO. OB-2012-09

A RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY OF THE REDEVELOPMENT AGENCY OF THE CITY OF PLACENTIA, CALIFORNIA, APPROVING A RECOGNIZED OBLIGATION PAYMENT SCHEDULE COVERING THE PERIOD OF JANUARY 1, 2013 TO JUNE 30, 2013.

A. Recitals.

(i) On December 29, 2011, the California Supreme Court delivered its decision in *California Redevelopment Association v. Matosantos*, finding ABx1 26 (Dissolution Act) largely constitutional.

(ii) The Dissolution Act and the California Supreme Court's decision in *California Redevelopment Association v. Matosantos*, all California redevelopment agencies, including the Redevelopment Agency for the City of Placentia (former Agency), were dissolved on February 1, 2012; and

(iii) On January 17, 2012, the Placentia City Council adopted Resolution No. R-2012-03 accepting for the City the role of Successor Agency to the former agency (Successor Agency). Under the Dissolution Act the City in its capacity as Successor Agency must prepare a "Recognized Obligation Payment Schedule" (ROPS) that enumerates the enforceable obligations and expenses of the Successor Agency for the each six-month period as defined in law.

(iv) Pursuant to Health and Safety Code §34180, Successor Agency actions as listed within the subsections shall first be approved by the Oversight Board. Subsection (g) specifically lists that the Successor Agency action to establish the Recognized Obligation Payment Schedule shall be approved by the Oversight Board to enable the Successor Agency to continue to make payments on enforceable obligations.

(v) Assembly Bill 1484 (Chapter 26, June 27, 2012) amended § 34177 (m) to require that Recognized Obligation Payment Schedule for January 1, 2013 to June 30, 2013 shall be submitted, after approval by the Oversight Board, no later than September 1, 2012.

(vi) The Recognized Obligation Payment Schedule prepared by the Successor Agency and approved by the Oversight

Board is for the period covering January 1, 2013 to June 30, 2013 and enumerates the enforceable obligations and expenses of the Successor Agency per law.

(vii) All legal prerequisites to the adoption of this Resolution have occurred.

B. Resolution.

NOW, THEREFORE, the Oversight Board of the Successor Agency to the Redevelopment Agency of the City of Placentia hereby finds, determines and resolves as follows:

1. In all respects as set forth in the Recitals, Part A., of this Resolution.

2. The Oversight Board hereby approves the ROPS for the period of January 1, 2013 to June 30, 2013 in the form presented to the Oversight Board and attached hereto as Exhibit A, including the agreements and obligations described in the ROPS, and hereby determines that such agreements and obligations constitute "enforceable obligations" or "recognized obligations" for all purposes of the Dissolution Act.

3. The Oversight Board authorizes and directs the Successor Agency staff to take all actions necessary under the Dissolution Act to post the ROPS on the Successor Agency website, transmit the ROPS to the Auditor-Controller of the County of Orange and to the State Controller and State Department of Finance, and to take any other actions necessary to ensure the validity of the ROPS or the validity of any enforceable obligation or other agreement approved by the Oversight Board in this Resolution.

4. The Chairperson shall sign this Resolution and the Clerk of the Board shall attest and certify to the passage and adoption thereof.

PASSED AND ADOPTED this 8th day of August, 2012.

ED GARCIA, CHAIRPERSON

ATTEST:

TANIA A. MORENO, CLERK OF THE BOARD

STATE OF CALIFORNIA
COUNTY OF ORANGE

I, Tania A. Moreno, Clerk of the Board of the Oversight Board of the Successor Agency to the Redevelopment Agency of the City of Placentia, do hereby certify that the foregoing Resolution was adopted at a regular meeting of the Oversight Board held on the 8th day of August, 2012, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

TANIA A. MORENO, CLERK OF THE BOARD

Attachment A:

Recognized Obligation Payment Schedule for the period covering
January 1, 2013 to June 30, 2013

RESOLUTION NO. OB-2012-09

Oversight Board

of the Successor Agency of the Redevelopment Agency of the City of Placentia

AGENDA REPORT

TO: BOARD MEMBERS

FROM: EXECUTIVE DIRECTOR

DATE: AUGUST 8, 2012

SUBJECT: **APPROVAL OF A PROCESS IN WHICH TO CONDUCT THE DUE DILIGENCE REVIEW REQUIRED BY CALIFORNIA HEALTH AND SAFETY CODE § 34179.5**

FISCAL
IMPACT: EXPENDITURE: \$ Estimate between \$5,000 to \$8,000
REVENUE: (Redevelopment Property Tax Trust Fund)

SUMMARY:

Effective July 1, 2012, Assembly Bill 1484 (Chapter 26, June 27, 2012) amended the California Health and Safety Code adding § 34179.5 which requires that all successor agencies conduct a due diligence review to determine the unobligated Low and Moderate Income Housing Fund balances available for transfer to affected taxing entities, and the recovery and subsequent remittance of funds determined to have been transferred absent an enforceable obligation. The legislation also put in a place a tight deadline for which to accomplish this action, with October 1, 2012 a key deliverable date and October 15, 2012 the date upon which the Oversight Board shall have approved of the audit. This action will approve a process to complete this due diligence review.

RECOMMENDATION:

It is recommended that the Board take the following action:

- 1) Adopt Resolution OB-2012-10, A Resolution of the Oversight Board to the Successor Agency of the Redevelopment Agency of the City of Placentia, California, approving a process using Orange County Auditor-Controller approved professional accounting firms to complete the due diligence review in compliance with HSC § 34179.5.

DISCUSSION:

Assembly Bill 1484 (AB 1484) put in place several new requirements of successor agencies and county auditor-controllers. As an example, by October 1, 2012, successor agencies must provide the oversight board, the county auditor-controller, the Controller, and the State Department of Finance (DOF) the results of the review conducted pursuant to Section 34179.5 for the Low and Moderate Income Housing Fund and specifically the amount of cash and cash equivalents determined to be available for allocation to taxing entities. By December 15, 2012, each successor agency shall provide to the same parties the results of the review conducted pursuant to Section 34179.5 for all of the other fund and account balances and specifically the amount of cash and cash equivalents determined to be available for allocation to taxing entities.

4.b.
August 8, 2012

According to the law, upon receipt of the review, the oversight board shall convene a public comment session to take place at least five (5) business days before the oversight board holds the approval vote specified in subdivision (c). The oversight board also shall consider any opinions offered by the county auditor-controller on the review results submitted by the successor agency.

By October 15, 2012, for the Low and Moderate Income Housing Fund and by January 15, 2013, for all other funds and accounts, the oversight board shall review, approve, and transmit to the DOF and the Orange County Auditor-Controller the determination of the amount of cash and cash equivalents that are available for disbursement to taxing entities as determined according to the method provided in Section 34179.5.

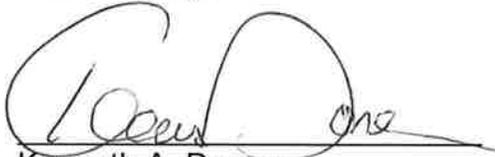
This Due Diligence Review will list all encumbered and unencumbered Low and Moderate Income Housing Fund (LMIHF) assets, and will state whether or not those assets are encumbered by Enforceable Obligations. DOF has until November 9, 2012 to finalize its review of the submittals, and to determine which LMIHF assets are not encumbered by Enforceable Obligations. As with previous submissions of Recognized Obligation Payment Schedules, it can be assumed that DOF will take a hard line with any item and force a successor agency to validate all assets in which they question.

The Due Diligence Review section within the Health and Safety Code is attached. As stated in HSC § 34179.5 (a), "In furtherance of subdivision (d) of Section 34177, each successor agency shall employ a licensed accountant, approved by the county auditor-controller and with experience and expertise in local government accounting, to conduct a due diligence review to determine the unobligated balances available for transfer to taxing entities." The City contacted the Orange County Auditor-Controller and was informed that the following four certified public account firms are currently approved: Macias, Gini, & O'Connell; Vavrinek, Trine, Day; White, Nelson, Diehl, Evans; and Lance, Soll & Lunghard. All four firms are very well regarded and the City/Successor Agency would be well served by any of the four. As such, the City/Successor Agency is issuing a Request for Quote to perform the Due Diligence Review to each of the four qualified firms and will select the lowest submitted quote in which to enter into a contract with for the Due Diligence Review. Given that the Health and Safety Code is quite clear in the scope of the Due Diligence Review, that each of the firms is pre-qualified by the Orange County Auditor-Controller and each firm understands what will be required in the review, a more elaborate Request for Proposal process is not necessary.

FISCAL IMPACT:

Based on known external audit costs for the former redevelopment agency, it is estimated that a Due Diligence Review will cost between \$5,000 to \$8,000. The Due Diligence Review costs will be paid out of the Redevelopment Property Tax Trust Fund.

Submitted by:

A handwritten signature in black ink, appearing to read "Kenneth A. Domer", written over a horizontal line.

Kenneth A. Domer
Executive Director

Attachments:

Resolution OB-2012-10
HSC § 34179.5, et al.

RESOLUTION NO. OB-2012-10

A RESOLUTION OF THE OVERSIGHT BOARD TO THE SUCCESSOR AGENCY OF THE REDEVELOPMENT AGENCY OF THE CITY OF PLACENTIA, CALIFORNIA, APPROVING A PROCESS USING ORANGE COUNTY AUDITOR-CONTROLLER APPROVED PROFESSIONAL ACCOUNTING FIRMS TO COMPLETE THE DUE DILIGENCE REVIEW IN COMPLIANCE WITH HSC § 34179.5

A. Recitals.

(i) The Oversight Board to the Successor Agency of the Redevelopment Agency of the City of Placentia has been appointed pursuant to the provisions of Health and Safety Code 34179.

(ii) As amended by Assembly Bill 1484 (Chapter 26, June 27, 2012) Health and Safety Code § 34179.5 requires each successor agency to employ a licensed accountant, approved by the county auditor-controller and with experience and expertise in local government accounting, to conduct a due diligence review to determine the unobligated balances available for transfer to taxing entities.

(iii) Assembly Bill 1484 sets forth a timeline to include submitting to the Department of Finance, and others, the results of the review conducted pursuant to § 34179.5 for the Low and Moderate Income Housing Fund and specifically the amount of cash and cash equivalents determined to be available for allocation to taxing entities.

(iv) The Orange County Auditor Controller has pre-qualified four certified public accounting firms to perform the work required under § 34179.5, and those firms having all other requisites being equal, were asked to provide a quote with a not to exceed amount in order to perform the required work.

(v) The proposed process, including the estimated amount of the not to exceed work is under the monetary threshold as defined by the Placentia Municipal Code and Purchasing Policy so that the City may execute a contract with the lowest priced firm without further discretionary review or action.

(vi) All legal prerequisites to the adoption of this Resolution have occurred.

B. Resolution.

NOW, THEREFORE, the Oversight Board of the Successor Agency to the Redevelopment Agency of the City of Placentia hereby finds, determines and resolves as follows:

1. In all respects as set forth in the Recitals, Part A., of this Resolution.

2. The Oversight Board has reviewed and considered the requirements of HSC § 34179.5 and approves the process in which to select the lowest priced firm of the four pre-qualified firms selected by the Orange County Auditor-Controller.

3. The Chairperson shall sign this Resolution and the Clerk of the Board shall attest and certify to the passage and adoption thereof.

PASSED AND ADOPTED this 8th day of August, 2012.

ED GARCIA, CHAIRPERSON

ATTEST:

TANIA A. MORENO, CLERK OF THE BOARD

STATE OF CALIFORNIA
COUNTY OF ORANGE

I, Tania A. Moreno, Clerk of the Board of the Oversight Board of the Successor Agency to the Redevelopment Agency of the City of Placentia, do hereby certify that the foregoing Resolution was adopted at a regular meeting of the Oversight Board held on the 8th day of August, 2012, by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

TANIA A. MORENO, CLERK OF THE BOARD

California Health and Safety Code §§ 34179.5 and 34179.6
(as amended by Assembly Bill 1484, Statutes of 2012 Chapter 26)

34179.5. (a) In furtherance of subdivision (d) of Section 34177, each successor agency shall employ a licensed accountant, approved by the county auditor-controller and with experience and expertise in local government accounting, to conduct a due diligence review to determine the unobligated balances available for transfer to taxing entities. As an alternative, an audit provided by the county auditor-controller that provides the information required by this section may be used to comply with this section with the concurrence of the oversight board.

(b) For purposes of this section the following terms shall have the following meanings:

(1) "Cash" and "cash equivalents" includes, but is not limited to, cash in hand, bank deposits, Local Agency Investment Fund deposits, deposits in the city or county treasury or any other pool, marketable securities, commercial paper, United States Treasury bills, banker's acceptances, payables on demand and amounts due from other parties as defined in subdivision (c), and any other money owned by the successor agency.

(2) "Enforceable obligation" includes any of the items listed in subdivision (d) of Section 34171, contracts detailing specific work to be performed that were entered into by the former redevelopment agency prior to June 28, 2011, with a third party that is other than the city, county, or city and county that created the former redevelopment agency, and indebtedness obligations as defined in subdivision (e) of Section 34171.

(3) "Transferred" means the transmission of money to another party that is not in payment for goods or services or an investment or where the payment is de minimus. Transfer also means where the payments are ultimately merely a restriction on the use of the money.

(c) At a minimum, the review required by this section shall include the following:

(1) The dollar value of assets transferred from the former redevelopment agency to the successor agency on or about February 1, 2012.

(2) The dollar value of assets and cash and cash equivalents transferred after January 1, 2011, through June 30, 2012, by the redevelopment agency or the successor agency to the city, county, or city and county that formed the redevelopment agency and the purpose of each transfer. The review shall provide documentation of any enforceable obligation that required the transfer.

(3) The dollar value of any cash or cash equivalents transferred after January 1, 2011, through June 30, 2012, by the redevelopment agency or the successor agency to any other public agency or private party and the purpose of each transfer. The review shall provide documentation of any enforceable obligation that required the transfer.

(4) The review shall provide expenditure and revenue accounting information and identify transfers and funding sources for the 2010-11 and 2011-12 fiscal years that reconciles balances, assets, and liabilities of the successor agency on June 30, 2012 to those reported to the Controller for the 2009-10 fiscal year.

(5) A separate accounting for the balance for the Low and Moderate Income Housing Fund for all other funds and accounts combined shall be made as follows:

(A) A statement of the total value of each fund as of June 30, 2012.

(B) An itemized statement listing any amounts that are legally restricted as to purpose and cannot be provided to taxing entities. This could include the proceeds of any bonds, grant funds, or funds provided by other governmental entities that place conditions on their use.

(C) An itemized statement of the values of any assets that are not cash or cash equivalents. This may include physical assets, land, records, and equipment. For the purpose of this accounting, physical assets may be valued at purchase cost or at any recently estimated market value. The statement shall list separately housing-related assets.

(D) An itemized listing of any current balances that are legally or contractually dedicated or restricted for the funding of an enforceable obligation that identifies the nature of the dedication or restriction and the specific enforceable obligation. In addition, the successor agency shall provide a listing of all approved enforceable obligations that includes a projection of annual spending requirements to satisfy each obligation and a projection of annual revenues available to fund those requirements. If a review finds that future revenues together with dedicated or restricted balances are insufficient to fund future obligations and thus retention of current balances is required, it shall identify the amount of current balances necessary for retention. The review shall also detail the projected property tax revenues and other general purpose revenues to be received by the successor agency, together with both the amount and timing of the bond debt service payments of the successor agency, for the period in which the oversight board anticipates the successor agency will have insufficient property tax revenue to pay the specified obligations.

(E) An itemized list and analysis of any amounts of current balances that are needed to satisfy obligations that will be placed on the Recognized Obligation Payment Schedules for the current fiscal year.

(6) The review shall total the net balances available after deducting the total amounts described in subparagraphs (B) to (E), inclusive, of paragraph (5). The review shall add any amounts that were transferred as identified in paragraphs (2) and (3) of subdivision (c) if an enforceable obligation to make that transfer did not exist. The resulting sum shall be available for allocation to affected taxing entities pursuant to Section 34179.6. It shall be a rebuttable presumption that cash and cash equivalent balances available to the successor agency are available and sufficient to disburse the amount determined in this paragraph to taxing entities. If the review finds that there are insufficient cash balances to transfer or that cash or cash equivalents are specifically obligated to the purposes described in subparagraphs (B), (D), and (E) of paragraph (5) in such amounts that there is insufficient cash to provide the full amount determined pursuant to this paragraph, that amount shall be demonstrated in an additional itemized schedule.

34179.6. The review required pursuant to Section 34179.5 shall be submitted to the oversight board for review. The successor agency shall submit a copy of the Recognized Obligation Payment Schedule to the county administrative officer, the county auditor-controller, and the Department of Finance at the same time that the successor agency submits the review to the oversight board for review.

(a) By October 1, 2012, each successor agency shall provide to the oversight board, the county auditor-controller, the Controller, and the Department of Finance the results of the review conducted pursuant to Section 34179.5 for the Low and Moderate Income Housing Fund and specifically the amount of cash and cash equivalents determined to be available for allocation to taxing entities. By December 15, 2012, each successor agency shall provide to the oversight board, the county auditor-controller, the Controller, and the department the results of the review conducted pursuant to Section 34179.5 for all of the other fund and account balances and specifically the amount of cash and cash equivalents determined to be available for allocation to

taxing entities. The department may request any supporting documentation and review results to assist in its review under subdivision (d). The department may specify the form and manner information about the review shall be provided to it.

(b) Upon receipt of the review, the oversight board shall convene a public comment session to take place at least five business days before the oversight board holds the approval vote specified in subdivision (c). The oversight board also shall consider any opinions offered by the county auditor-controller on the review results submitted by the successor agencies.

(c) By October 15, 2012, for the Low and Moderate Income Housing Fund and by January 15, 2013, for all other funds and accounts, the oversight board shall review, approve, and transmit to the department and the county auditor-controller the determination of the amount of cash and cash equivalents that are available for disbursement to taxing entities as determined according to the method provided in Section 34179.5. The oversight board may adjust any amount provided in the review to reflect additional information and analysis. The review and approval shall occur in public sessions. The oversight board may request from the successor agency any materials it deems necessary to assist in its review and approval of the determination. The oversight board shall be empowered to authorize a successor agency to retain assets or funds identified in subparagraphs (B) to (E), inclusive, of paragraph (5) of subdivision (c) of Section 34179.5. An oversight board that makes that authorization also shall identify to the department the amount of funds authorized for retention, the source of those funds, and the purposes for which those funds are being retained. The determination and authorization to retain funds and assets shall be subject to the review and approval of the department pursuant to subdivision (d).

(d) The department may adjust any amount associated with the determination of the resulting amount described in paragraph (6) of subdivision (c) of Section 34179.5 based on its analysis and information provided by the successor agency and others. The department shall consider any findings or opinions of the county auditor-controllers and the Controller. The department shall complete its review of the determinations provided pursuant to subdivision (c) no later than November 9, 2012, for the Low and Moderate Income Housing Fund and also shall notify the oversight board and the successor agency of its decision to overturn any decision of the oversight board to authorize a successor agency to retain assets or funds made pursuant to subdivision (c). The department shall complete its review of the determinations provided pursuant to subdivision (c) no later than April 1, 2013, for the other funds and accounts and also shall notify the oversight board and the successor agency of its decision to overturn any oversight board authorizations made pursuant to subdivision (c). The department shall provide the oversight board and the successor agency an explanation of its basis for overturning or modifying any findings, determinations, or authorizations of the oversight board made pursuant to subdivision (c).

(e) The successor agency and the entity or entities that created the former redevelopment agency may request to meet and confer with the department to resolve any disputes regarding the amounts or sources of funds identified as determined by the department. The request shall be made within five business days of the transmission, and no later than November 16, 2012, for the determination regarding the Low and Moderate Income Housing Fund, to the successor agency or the designated local authority of the department's determination, decisions, and explanations and shall be accompanied by an explanation and documentation of the basis of the dispute. The department shall meet and confer with the requesting party and modify its determinations and decisions accordingly. The department shall either confirm or modify its determinations and decisions within 30 days of the request to meet and confer.

(f) Each successor agency shall transmit to the county auditor-controller the amount of funds required pursuant to the determination of the department within five working days of receipt of the notification under subdivision (c) or (e) if a meet and confer request is made. Successor agencies shall make diligent efforts to recover any money determined to have been transferred without an enforceable obligation as described in paragraphs (2) and (3) of subdivision (c) of Section 34179.5. The department shall notify the county auditor-controllers of its actions and the county auditor-controllers shall disburse the funds received from successor agencies to taxing entities pursuant to Section 34188 within five working days of receipt. Amounts received after November 28, 2012, and April 10, 2013, may be held and disbursed with the regular payments to taxing entities pursuant to Section 34183.

(g) By December 1, 2012, the county auditor-controller shall provide the department a report specifying the amount submitted by each successor agency pursuant to subdivision (d) for low- and moderate-income housing funds, and specifically noting those successor agencies that failed to remit the full required amount. By April 20, 2013, the county auditor-controller shall provide the department a report detailing the amount submitted by each successor agency pursuant to subdivision (d) for all other funds and accounts, and specifically noting those successor agencies that failed to remit the full required amount.

(h) If a successor agency fails to remit to the county auditor-controller the sums identified in subdivisions (d) and (f), by the deadlines specified in those subdivisions, the following remedies are available:

(1) (A) If the successor agency cannot promptly recover the funds that have been transferred to another public agency without an enforceable obligation as described in paragraphs (2) and (3) of subdivision (c) of Section 34179.5, the funds may be recovered through an offset of sales and use tax or property tax allocations to the local agency to which the funds were transferred. To recover such funds, the Department of Finance may order the State Board of Equalization to make an offset pursuant to subdivision (a) of Section 34179.8. If the Department of Finance does not order a sales tax offset, the county auditor-controller may reduce the property tax allocations to any local agency in the county that fails to repay funds pursuant to subdivision (c) of Section 34179.8.

(B) The county auditor-controller and the department shall each have the authority to demand the return of funds improperly spent or transferred to a private person or other private entity. If funds are not repaid within 60 days, they may be recovered through any lawful means of collection and are subject to a ten percent penalty plus interest at the rate charged for late personal income tax payments from the date the improper payment was made to the date the money is repaid.

(C) If the city, county, or city and county that created the former redevelopment agency is also performing the duties of the successor agency, the Department of Finance may order an offset to the distribution provided to the sales and use tax revenue to that agency pursuant to subdivision (a) of Section 34179.8. This offset shall be equal to the amount the successor fails to remit pursuant to subdivision (f). If the Department of Finance does not order a sales tax offset, the county auditor-controller may reduce the property tax allocations of the city, county, or city and county that created the former redevelopment agency pursuant to subdivision (c) of Section 34179.8.

(D) The department and the county auditor-controller shall coordinate their actions undertaken pursuant to this paragraph.

(2) Alternatively or in addition to the remedies provided in paragraph (1), the department may direct the county auditor-controller to deduct the unpaid amount from future allocations of property tax to the successor agency under Section 34183 until the amount of payment required pursuant to subdivision (d) is accomplished.

(3) If the Department of Finance determines that payment of the full amount required under subdivision (d) is not currently feasible or would jeopardize the ability of the successor agency to pay enforceable obligations in a timely manner, it may agree to an installment payment plan.

(i) (1) If a legal action contesting a withholding effectuated by the State Board of Equalization pursuant to subparagraphs (B), (C), or (B) and (C) of paragraph (2) of subdivision (b) of Section 34183.5 is successful and results in a final judicial determination, the court shall order the state to pay to the prevailing party a penalty equal to a percentage of the amount of funds found by the court to be improperly withheld, as provided in Section 34179.8. This percentage shall be equivalent to the number of months the funds have been found by the court to be improperly withheld, not to exceed 10 percent.

(2) If a legal action contesting an offset effectuated by the State Board of Equalization or the county auditor-controller pursuant to subdivision (h) is successful and results in a final judicial determination, the court shall order the state or the county auditor-controller to pay to the prevailing party a penalty equal to 10 percent of the amount of funds found by the court to be improperly offset, as provided in Section 34179.8.

(j) If a legal challenge to invalidate any provision in subdivision (h) or subparagraph (B) or (C), or subparagraphs (B) and (C) of paragraph (2) of subdivision (b) of Section 34183.5 is successful and results in a final judicial determination, the invalidated provision shall become inoperative and subdivision (i) shall become inoperative with respect to the invalidated provision.

Oversight Board
of the Successor Agency of the
Redevelopment Agency of the City of Placentia
AGENDA REPORT

TO: BOARD MEMBERS
FROM: EXECUTIVE DIRECTOR
DATE: AUGUST 8, 2012
SUBJECT: **APPROVAL OF A PROCESS AND CONTRACTS FOR FINANCIAL ADVISORY SERVICES IN WHICH TO PRELIMINARILY REVIEW THE REFINANCING OF THE 2009 SUBORDINATE TAX ALLOCATION NOTES**
FISCAL
IMPACT: ESTIMATED EXPENDITURE NOT TO EXCEED \$15,000

SUMMARY:

Working with our financial partners, the former redevelopment agency issued the 2009 Subordinate Tax Allocation Notes in the amount of \$6,850,000 on February 1, 2009. The bond proceeds were used, in large part, to purchase the former packinghouse located at 207-209 West Crowther Avenue for utilization as parking for the forthcoming Placentia Metrolink Station. Due to fiscal concerns at the time, the Agency was only able to secure a short term note and deferred all principal payments and, as such, a single balloon payment is due on February 1, 2014. This action will begin the process, as now provided for through the enactment of Assembly Bill 1484 (Chapter 26, Statutes of 2012), to begin the preliminary review of refinancing the bond issue and hiring two firms to assist the Successor Agency with financial advisory services.

RECOMMENDATION:

It is recommended that the Board take the following actions:

1. Adopt Resolution OB-2012-11, A Resolution of the Oversight Board to the Successor Agency of the Redevelopment Agency of the City of Placentia, California, approving a process to begin the preliminary review of refinancing the 2009 Subordinate Tax Allocation Notes,
2. Approve the Successor Agency actions to hire Harrell & Company, Financial Advisors, LLC and Jones Hall, bond counsel, for preliminary Financial Advisory Services related to the 2009 Subordinate Tax Allocation Notes.

DISCUSSION:

At the time of putting together the financial package for the 2009 Subordinate Tax Allocation Notes, the City of Placentia, and as a result, the former redevelopment agency as a component of the City, were negatively effected by the economy, long-term deficit spending by the City and a poor fiscal outlook by credit agencies and our external auditor. Pursuing a longer term debt instrument proved to carry too high of a interest rate and, accordingly, a short-term note was

4.c.

August 8, 2012

issued with the understanding, as expressed in the Official Statement, that a refinancing would be accomplished prior to the need to pay the balloon payment. What was not contemplated at the time is that the State of California would eliminate redevelopment agencies.

The 2009 Subordinate Tax Allocation Note is an enforceable obligation; however, how, or if, a balloon payment that is approximately three times the former agency's annual tax increment can be paid through the current dissolution process is not known.

With the implementation of AB 1484, further clarification is provided through amendments to California Health and Safety Code § 34177.5 (a) (2). That section reads:

34177.5. (a) In addition to the powers granted to each successor agency, and notwithstanding anything in the act adding this part, including, but not limited to, Sections 34162 and 34189, a successor agency shall have the authority, rights, and powers of the redevelopment agency to which it succeeded solely for the following purposes:

(2) For the purpose of issuing bonds or other indebtedness to finance debt service spikes, including balloon maturities, provided that (A) the existing indebtedness is not accelerated, except to the extent necessary to achieve substantially level debt service, and (B) the principal amount of the bonds or other indebtedness shall not exceed the amount required to finance the debt service spikes, including establishing customary debt service reserves and paying related costs of issuance. [emphasis added]

Accordingly, State law now provides a clear ability for successor agencies to refinance existing debt for instances when a balloon payment is due. The process of determining how to proceed and what mechanism is proper to refund the 2009 Notes is best to start as early as possible in order to take advantage of lower rates as well as defined direction as set forth in AB 1484.

It is proposed that the Successor Agency utilize the services of Harrell & Company, Financial Advisors, LLC and Jones Hall, bond counsel, for preliminary Financial Advisory Services related to the 2009 Subordinate Tax Allocation Notes. Working as a team, and with specific knowledge from their roles on the 2009 Notes, the proposed financing plan will include projecting Redevelopment Property Tax Trust Fund deposits (similar to projecting former tax increment revenue) to determine amounts available to pledge to the financing, taking into account the priority of payment of other Successor Agency enforceable obligations. The financing plan will be developed in consultation with the Successor Agency's bond counsel in order to make certain that the financing complies with the provisions of AB 1484. The group will make inquiries of likely investors to determine market acceptance of a financing by the Successor Agency, as well as contact Standard & Poor's to find out if they are developing rating criteria for bonds to be issued by a Successor Agency. Finally, the financing plan will include a cashflow showing the expected repayment of outstanding bond obligations, the new financing and any remaining enforceable obligations. As part of the work, the group will be tasked with setting forth a proposed schedule of activities and timelines to be considered by the Successor Agency and eventual approval by the Oversight Board. This schedule of activities can also serve to help educate the Oversight Board regarding the proposed refinancing as it is understood not all members have been associated with bond issuances.

The recommended actions, therefore, provide Oversight Board approval to begin the process to review the refinancing of the 2009 Notes which, in itself, ultimately will provide the required information to the Successor Agency when it seeks to conduct the actual refinancing. Oversight Board approval will be required at each step of the process. The second action is to approve the use of the two firms in an amount not to exceed \$15,000 for the preliminary review. This amount has been estimated by both firms to adequately cover the necessary review. The two firms, Harrell & Company, Financial Advisors, LLC and Jones Hall, bond counsel, are well respected firms and have assisted the City and former agency on multiple offerings in the past. Additionally, both were part of the larger financing team that issued the 2009 Notes and are therefore most knowledgeable regarding them.

FISCAL IMPACT:

The letter proposal from Harrell & Company, Financial Advisors, LLC is in an amount not to exceed \$6,000 and Jones Hall, bond counsel is in an amount not to exceed \$9,000. The total amount of \$15,000 will be added to the current Recognized Obligation Payment Schedule (ROPS II) as payable from the Redevelopment Property Tax Trust Fund based on this action and transmitted to the State Department of Finance.

Submitted by:

A handwritten signature in black ink, appearing to read "Kenneth A. Domer", written over a horizontal line.

Kenneth A. Domer
Executive Director

Attachment:

Resolution OB-2012-11

RESOLUTION NO. OB-2012-11

A RESOLUTION OF THE OVERSIGHT BOARD TO THE SUCCESSOR AGENCY OF THE REDEVELOPMENT AGENCY OF THE CITY OF PLACENTIA, CALIFORNIA, APPROVING A PROCESS TO BEGIN THE PRELIMINARY REVIEW OF REFINANCING THE 2009 SUBORDINATE TAX ALLOCATION NOTES

A. Recitals.

(i) The Oversight Board to the Successor Agency of the Redevelopment Agency of the City of Placentia has been appointed pursuant to the provisions of Health and Safety Code 34179.

(ii) As amended by Assembly Bill 1484 (Chapter 26, June 27, 2012) Health and Safety Code § 34177.5 (a) (2) provides for clear authority for a successor agency to conduct a refinancing of previously issued debt, when such previous financing meets statutory requirements to include preventing spikes in debt service payments resulting from balloon payments.

(iii) On February 1, 2009 the former Redevelopment Agency of the City of Placentia issued \$6,850,000 in Subordinate Tax Allocation Notes with a balloon payment due on February 1, 2014.

(iv) The available revenue on an annual basis deposited into the Redevelopment Property Tax Trust Fund from the former project area is not sufficient to pay all enforceable obligations and the balloon payment for the 2009 Subordinate Tax Allocation Notes.

(v) In order to properly determine the ability of the Successor Agency to conduct a refinancing of the 2009 Notes a preliminary fiscal analysis must be performed to determine the increment ability for debt service payments based on cash flow and market analysis.

(vi) The Successor Agency has contacted two firms which were part of the 2009 issuance, both firms are well qualified and able to conduct the necessary financial advisory services required by the Successor Agency.

(vii) All legal prerequisites to the adoption of this Resolution have occurred.

B. Resolution.

NOW, THEREFORE, the Oversight Board of the Successor Agency to the Redevelopment Agency of the City of Placentia hereby finds, determines and resolves as follows:

1. In all respects as set forth in the Recitals, Part A., of this Resolution.

2. Under the authority contained in California Health and Safety Code § 34177.5 (a) (2) the Oversight Board approves the process to begin the preliminary review of refinancing the 2009 Subordinate Tax Allocation Notes.

3. The Chairperson shall sign this Resolution and the Clerk of the Board shall attest and certify to the passage and adoption thereof.

PASSED AND ADOPTED this 8th day of August, 2012.

ED GARCIA, CHAIRPERSON

ATTEST:

TANIA A. MORENO, CLERK OF THE BOARD

STATE OF CALIFORNIA
COUNTY OF ORANGE

I, Tania A. Moreno, Clerk of the Board of the Oversight Board of the Successor Agency to the Redevelopment Agency of the City of Placentia, do hereby certify that the foregoing Resolution was adopted at a regular meeting of the Oversight Board held on the 8th day of August, 2012, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

TANIA A. MORENO, CLERK OF THE BOARD

RESOLUTION NO. OB-2012-11

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