RESOLUTION NO. SA 03-12

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

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

The foregoing resolution was adopted at a regular joint meeting of the Oakley City Council / Oakley City Council acting as Successor Agency to the Redevelopment Agency, held on the 14th day of February 2012, by the following vote:

AYES: Anderson, Frazier, Pope, Rios, Romick,

NOES:

ABSTENTION:

ABSENT:

APPROVED:

Kevin Romick, Mayor

ATTEST:

Libby Vreonis, City Clerk

2-15-12

Date

EXHIBIT A

City of Oakley, as Successor Agency to the Oakley Redevelopment Agency
Midyear Financial Status Report
Fiscal Year 2011-12

Contents

Presented to the City Council on February 14, 2012

Executive Summary

The details outlined in the report below provide what amounts to an initial summary of what we know or expect represents the financial status of the new Successor Agency to the Oakley Redevelopment Agency (RDA). Pursuant to AB1x26, and Oversight Board and the State Department of Finance will oversee and review the decisions made by the Successor Agency, As the City Council you still function as the board of the Successor Agency and, therefore, we are presenting directly to you with the best information we have at this moment. As most are aware, the legislation defining the implementation of redevelopment's elimination was lacking in some material respects; and significant clarifications and technical clean-up legislation is necessary to avoid significant unintended consequences and/or litigation by third parties. To be clear, this report is based on the expectation that the necessary clean-up legislation or other means are enacted to ensure the intent of the original legislation is carried out without harming others.

In the separate sections below, our intent is to clearly provide information regarding the assets currently held by the Successor Agency, the obligations of the Agency, and a brief summary of the impacts currently apparent from the elimination of the Oakley Redevelopment Agency.

The good news is that without further decline of the local real estate market, it appears possible that with its existing assets and future tax increment to pay debt service, the Successor Agency is able to meet all of its long-term obligations. That includes paying all of its bond debt service payments timely, protecting the tax-exempt status of the RDAs 2008 Bonds, completing all of the enforceable projects, performing on all contracts obligated pursuant to the Cooperation Agreement between the City and the RDA, and complying with all of the provisions of AB 1x26.

The not so good news is that it appears obvious that some local agency pass-throughs will be deferred and maybe not paid; and some administrative costs will likely be deferred, as well. In addition, Staff does not expect significant benefits to immediately accrue to other local taxing agencies in Oakley. The State has budgeted an expected $1.7 Billion benefit for fiscal year 2011-2012 statewide from the dissolution of redevelopment agencies, and implied that local agencies throughout the State will benefit as well. It remains to be seen if it happens statewide, but we do not see it happening this year in Oakley. In fact, locally, the likely outcome is that the Schools, Fire District, and other agencies will actually receive less this fiscal year than in previous years. While likely a one-time loss, it will still be an unintended consequence to the districts; and will not help the State solve its current budget problem.

One last positive development: One of the bigger concerns at the local level was what appeared to be a requirement in AB 1x26 for agencies to sell of property holdings immediately, although to maximize value. In the current market, agencies would likely be looking at "fire sale" prices at best, and it was good to hear recently, in a Department of Finance webcast, that that they do not expect properties owned now by successor agencies to be put up for sale at fire sale prices. It was explained that successor agencies, with the approval of their oversight boards, are best able to determine the most appropriate manner and time to sell any such properties to maximize sales proceeds. Also stated is the expectation that this would take years to accomplish statewide. We agree that distress sales are unnecessary and undesirable since they would likely force further valuation declines in an already challenged real estate market. And the State's recognition that the appropriate time and manner of sale should be decided locally is encouraging, since each agency is facing different challenges, obligations and real estate markets as it proceeds to honorably discharge its duties related to AB 1x26.

Summary of Available Funds/Assets on Hand

The City Council has also elected to become the Successor Housing Agency in Oakley, but the operations of the City in that capacity are separate from the operations of the Non-Housing Successor Agency covered in this report.

The Oakley RDA had on hand at February 1, 2012, the following non-housing assets:

Asset Held:	Restricted Assets	Unrestricted Assets
Cash Reserves for its 2003 Bonds, held by its Trustee	$ 674,859	
Cash Reserves for its 2008 Bonds, held by its Trustee	$1,999,750	
Cash Pledged for upcoming 2003 Bond Debt Service payments and bond administration, held in its Debt Service Fund	$ 275,991	

Cash Pledged for upcoming 2008 Bond Debt Service payments and bond administration, held in its Debt Service Fund	$ 46,509	
Cash Pledged for upcoming 2008 Bond Debt Service payments, held by the Trustee	$ 46,535	
Totals	$3,043,644	$ -0-

To be clear, the RDAs assets, including unspent bond proceeds, were contributed to the City pursuant to the Cooperation Agreement entered into by the City and RDA in January 2011; whereby the City took on the responsibilities for completing certain projects and performing duties of the RDA in exchange for these contributions, and future contributions should tax increment be sufficient to meet all of the Agency's obligations and surplus funds be available. In order to properly account for its performance pursuant to the Agreement, all of the City's handling of the contributed assets and performance of the redevelopment activities have been accounted for in separate City Redevelopment Funds.

At February 1, 2012, the City held the following Assets in the Non-Housing City Redevelopment Funds (amounts shown have been rounded to thousands):

Bond Proceeds and Assets having been acquired with Bond Proceeds:

Asset Held:	**Restricted Assets**	**Unrestricted Assets**
Cash and Investments (held in a separate account)	$6,142,000	
Real Property held by the City, purchased with Bond Proceeds	$9,100,000	

Deposit with the State Treasurer related to a Property Acquisition by eminent domain, funded with Bond Proceeds	$ 487,000	
Totals	$15,729,000	$ -0- .

(Not only are the above amounts restricted to uses authorized by bond covenants, it is important to know that to preserve the tax-exempt status of the bonds, the proceeds of any property acquired using tax-exempt bond proceeds that is later sold for cash, must be reinvested in a qualifying public project – typically infrastructure- within two years of the sale. Using the funds for other purposes voids the bond's tax-exempt status.)

Assets Not Restricted by Bond Covenants:

Asset Held:	Restricted Assets	Unrestricted Assets
Cash and Investments		$2,293,287
Land purchased originally by the RDA		$ 490,000
Other Real Property, constructed by the RDA		$2,532,830
Long-Term Notes Receivable		$ 623,000
Totals	$ -0- .	$5,939,117

While the $21.7 million in assets above held by the City are not technically Successor Agency assets, the Oversight Board or State Department of Finance/State Controller Committee overseeing the oversight boards, could determine that the Cooperation Agreement is invalid, and order the return of these assets to the Successor Agency. Should this occur, the City's obligations undertaken pursuant to the Cooperation Agreement would also become the Successor Agency's. No matter where they are accounted for, both the financial and performance obligations must be met.

Summary of Debts, Project and Administrative Obligations

At February 1, 2012, the Successor Agency had the following Debts:

Debts:	Amount Outstanding
Outstanding 2003 Bonds (including the Housing portion, pursuant to AB 1x26)	$6,935,000
Outstanding 2008 Tax-Exempt Bonds	$25,095,000
Outstanding Loan from the City's Impact Fee Funds*	$1,338,000
Total	$33,368,000

**These advances were for an affordable housing project, so it is unclear whether they constitute debts 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 has obligations that it must meet with the assets provided and with its own resources– if necessary. The dissolution of the RDA certainly ends the expectation that future tax increment will be directed to the City as stipulated in the Agreement; however, it does not end the expectation that the resources provided pursuant to the Agreement will be used to satisfy the obligations the City made to others while carrying out its obligations, as promised.

As the Successor Agency, the Board has adopted an Enforceable 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 February 1, 2012 includes the following (along with an estimated 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	$1,800,000 Plus utilities credits.
Construction of additional retail space attached to the new landmark restaurant	$375,000
Downtown DDA with Compestre, Inc, for construction of a new restaurant next door to its existing location, on Main Street across from City Hall	$111,000 Plus the land and utilities credits.
Downtown Public Plaza and Public Parking between and adjacent to the two new restaurants, and in front of the existing Oakley Plaza and Centro Mart properties	$1,130,000
Façade and other Building Improvements to the Oakley Plaza and Centro Mart buildings	$500,000
Main Street Improvements in front of the Downtown Projects and City Hall	$3,750,000
Estimated Staff Costs for processing and overseeing the projects	$500,000
Directional/Wayfinding Signage Projects	$80,000
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
Other Project Contract Obligations for Main Street, and Oakley Plaza Projects	$481,592
Total	$9,527,592

Pursuant to AB 1x26, at February 1, 2012, the Successor Agency had the following Administrative/Other Obligations (that we know of, so far):

Other Financial Obligations:

As long as tax increment is calculated and allocated to the Successor Agency, the Agency will also be obligated to pay local agency pass-throughs. The County Auditor Controller will calculate and pay them, after paying debt service, as long as tax increment is sufficient.

In the event that pass-through payments are unpaid in any year, it is unclear whether they constitute new enforceable obligations to all affected local agencies pursuant to AB 1x26, or whether they only constitute new enforceable obligations if a prior contract required their repayment at a later date. The Agency has such contracts with the Community College District and with the County Superintendent of Schools.

The Agency has a financial obligation to pay the City amounts for administering and staffing the Successor Agency. The amount is 5% of the tax increment, but no less than $250,000 per year, and is subordinated to both debt service and the pass-through obligations. Again, it is unclear whether non-payment from the subordination would create a new enforceable obligation, or whether it would only do so if required by a prior contract.

Performance Obligations:

Activities of the Successor Agency will be presented to the City Council, as the Board of the Successor Agency, typically at the same time and in the same manner as other Council business. The Agency and staff reports, however, will clearly show which business is regular City business and which is the business of the Successor Agency.

- The formation of the Oversight Board is paramount as the Agency moves forward, as its responsibility to review and formally recognize the Agency's enforceable obligations will then enable the Agency to move forward without delay to complete obligated projects other tasks. It will be the Agency's responsibility to engage with the Oversight Board regarding its obligations pursuant to AB 1x26, as soon as it is formed, without undue delay.

- Coordinate with the County Auditor Controller regarding the administration of Tax Increment, and the repayment of the RDAs debts

- 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 RDA timely, including bond covenants, using the resources of the Successor Agency and those provided by the County Auditor pursuant to AB 1x26. This means the Agency must meet both the financial obligations of the RDA, as well as the performance obligations. (This includes projects as well as debt and administration related obligations).

- To prepare, and update, as needed, the Enforceable Obligations Payment Schedule, and prepare an initial Recognized Obligations Payment Schedule for approval by the Oversight Board and State Department of Finance/State Controller Committee.

- Participate and facilitate the required audit of the RDA as of January 31, 2012, as required by AB 1x26.

- Arrange for the external audit of the RDA and RDA/Successor Agency, as will likely be required to meet bond covenants for the June 30, 2012 audit.

- Prepare all of the required State Reports required by State Law for the RDA in its final year of existence and for the Successor Agency at June 30, 2012 and each year thereafter.

Summary of Impacts Resulting from the Elimination of the Oakley Redevelopment Agency

One of the more difficult questions Staff has been asked almost continuously since the law eliminating the redevelopment agencies was passed is: "what does this mean for Oakley?" With the recent Supreme Court decision the last month there have been a whirlwind of questions, conference calls with experts throughout the State, and a significant amount of research. While not all of the answers are evident, it is Staff's opinion that the following impacts are likely here in Oakley:

First, the Downtown projects will be completed. Funding is sufficient and all of the projects have third parties directly affected.

Second, with the elimination of the RDA, and provision that agencies shall no longer repay City debts, the Successor Agency's cash and investments cannot remain in the City Investment Pool. To do so would allow the City and Successor Agency's assets to comingle and if the Agency's cash balance were to go negative, that would constitute an un-repayable loan of funds. While this might not sound like a big deal, RDA's have historically borrowed their operating resources for each year from their City or County and repaid them at year-end from the tax increment they receive during the year. With the Cooperation Agreement, this was avoided to the RDA's benefit. Without the Agreement, or a loan, tax increment will not be sufficient at each debt service date this year to make payments. The impact will be that a portion of the available cash and investments of the City Redevelopment Funds will need to be used for debt service payments in March and September 2012. (Either way the Agreement is viewed: valid-or-invalid, these funds should be used for this purpose; and less money will be available to complete projects or go to local agencies).

What it also means is that because tax increment alone is insufficient to make the debt service payments, and pass-through payments to local agencies are funded exclusively from pass-throughs, it would appear that local agency pass-throughs will not be funded this fiscal year. It is worth noting that this is probably a one-time loss. If tax increment remains at current levels, then tax increment in calendar 2013 should be sufficient to pay debt service and most if not all pass-throughs.

The last comment Staff would make regarding the impacts from the elimination of the Redevelopment Agency is that until a new means is established to enhance and revitalize areas clearly in need of help, land values and the orderly development of the areas planned for commercial development and job centers will likely be affected. Surely, more of the impacts will become known in the months to come, but the above is what we believe the case today.

RESOLUTION NO. 15-12

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF OAKLEY RECOGNIZING AND SUPPORTING THE CHOOSE CIVILITY INITIATIVE

WHEREAS, civility is a core value of a well functioning community and one of its defining components; and

WHEREAS, the civility level in a community underscores its general health and wellness and quality of life depends in great part on how community members treat each other; and

WHEREAS, concern for the common good and well-being of all citizens is one of the highest virtues of American democracy; and

WHEREAS, two-thirds of the public believe that American society is uncivil; and seventy-two percent of Americans think the problem has gotten worse in recent years; and

WHEREAS, the American people strongly believe that every citizen is responsible for improving such behavior; and

WHEREAS, in collaboration with organizations throughout the community the Contra Costa County Office of Education is implementing the "Choose Civility" campaign to promote civil behavior;

NOW, THEREFORE, BE IT RESOLVED, that the City of Oakley recognizes and supports the "Choose Civility" initiative and encourages other to participate in this campaign through activities the demonstrates to the public the importance of civility.

The foregoing resolution was adopted at a regular meeting of the City Council of the City of Oakley held on the 14th day of February, 2012, by Councilmember Jim Frazier, who moved its adoption, which motion being duly seconded by Councilmember Pat Anderson, was upon voice vote carried and the resolution adopted by the following vote:

AYES: Anderson, Frazier, Pope, Rios, Romick
NOES:
ABSTENTIONS:
ABSENT:

APPROVED:

Kevin Romick

Kevin Romick, Mayor

ATTEST:

Libby Vreonis, City Clerk

2-15-12

Date