RESOLUTION NO. SA 02-14

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 11th day of February 2014, by the following vote: 5-0

AYES: Burgis, Hardcastle, Pope, Rios, Romick
NOES:
ABSENT:
ABSTENTION:

APPROVED:

Randy Pope, Chair

20FEB14
Date

ATTEST:

Libby Vreonis, Secretary

Exhibit A

City of Oakley, as Successor Agency to the Oakley Redevelopment Agency
Midyear Financial Status Report
Fiscal Year 2013-14

Contents

Presented to the City Council on February 11, 2014

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 (the Successor Agency) 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 its obligations.

The Agency and State Department of Finance (DOF) have not yet resolved their differences currently in litigation over what obligations are the Agency's, and what, if any, of the Agency's obligations became the obligation of the City when the Agency dissolved. The amount in question remains approximately $1.5 million, and the Agency and DOF continue to have discussions intended to resolve these differences.

Notwithstanding the progress made towards resolving the disputes with DOF, the State's has taken action to withhold Agency funding, and delays in resolving the litigation prevent the Agency from being able to sell its assets or borrow funds to meet its obligations. As a result, the Agency continues to struggle to meet its obligations.

Expenditures in the second half of the year are expected to include only those for debt service, property management and maintenance (including property taxes) for Agency owned properties, administration, bond related reporting services, audit costs, and contractual obligations related to completing capital projects. Funding for these expenditures will come from receipts of property taxes allowed by the Department of Finance, rents, common area maintenance charges paid by tenants, and from bond funds, including predominantly those returned by the State Treasurer and/or made available from the final sale of the Centromart property.

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	$ 674,830	
Cash Reserves for its 2008 Bonds, held by its Trustee	$1,999,750	
Cash Pledged for upcoming 2003 Bond Debt Service payments, held by the Trustee	$36	
Cash Pledged for upcoming 2008 Bond Debt Service payments, held by the Trustee	$ 2,247	
Totals	$2,676,863	$ -0- .

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)*	$37,979	
Deposit with the State Treasurer related to a Property Acquisition by eminent domain, funded with Bond Proceeds	$ 487,757	
Notes Receivable	$599,303	
Real Property held by the City, purchased with Bond Proceeds	$3,445,351	
Totals	$4,570,208	$ -0- .

(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.*

Assets Not Restricted by Bond Covenants:

Asset Held:	Restricted Assets	Unrestricted Assets
Cash and Investments*	$28,180	$60,907
Land purchased originally by the RDA**		$ 3,802,052
Other Real Property, constructed by the RDA**		$2,532,830
Long-Term Notes Receivable		$ 1,806,492
Totals	$ 28,180	$8,202,281

**Restricted Cash and Investments include tenant deposits. Unrestricted Cash and investments are reported net of outstanding checks.*

***Some of the land reported here at cost, is likely not salable and likely will be transferred to the City for future right of way, small downtown parking lots, and/or beautification projects...In addition to what's shown in the table,, the Agency has public infrastructure assets on the books totaling $15,034,531 that are not salable and are expected ultimately to be transferred to the City. The assets include existing rights of way and street improvements, traffic signals, and other public facilities equipment.*

Summary of Debts, Project and Administrative Obligations

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

Debts:	Amount Outstanding
Outstanding Principal on the Agency's 2003 Bonds (including the Housing portion, pursuant to AB 1x26)	$6,425,000
Outstanding Principal on the Agency's 2008 Tax-Exempt Bonds	$24,435,000
Outstanding Obligation to pay Deferred City's Impact Fees *	$1,347,555
Outstanding Claim from DOF related to the Agency's Due Diligence Reviews	$1,418,284
Total	$33,625,839

**Payment of these fees was a requirement for an affordable housing project. The City agreed to the Redevelopment Agency's paying these on a deferred basis, and subsequent to the Agency's Dissolution, there is disagreement between the City and DOF regarding whether it constitutes an obligation of the Successor Agency, or the Successor Housing Agency.*

Project Obligations

In January 2011, 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 by the RDA 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 Recognized Obligations Payment Schedules 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 amounts still outstanding at December 31, 2013 include the following (along with an estimated remaining project cost):

Project Obligations	**Estimated Amount**
Unpaid project close-out invoices for the Restaurant and Retail Building	$20,000*
Downtown Public Plaza adjacent to the two new restaurants, and in front of the existing Oakley Plaza and Centro Mart properties	$227,000*
Main Street Improvements in front of the Downtown Projects and City Hall, and Downtown Parking Lots (Amount due is yet to be determined but is likely in the range of $600,000 to $1 million).	$1,000,000**
Façade and other Building Improvements to the Centro Mart buildings	$500,000***
Estimated Staff Costs for processing and overseeing the projects	$120,000*
Directional/Wayfinding Signage Projects	$52,000****
Frontage Improvements on Main Street between the Raley's Shopping Center and Shurgard Storage Center	$800,000****

*The amount remains unpaid due to a lack of funds in the bond accounts.
** Work remains to be completed and there are disputes between the Agency and the Contractor still to be resolved, most notably related to significant delays in the project's completion.
***Sale of this building is expected to close soon, and with the sale, the new owner would become responsible for this obligation – relieving the Agency of this in full.
**** Project has been stopped or deferred until funds are available.

Exit costs associated with a project being dropped. Payment is to settle claims/disputes due to project abandonment. Amount must be approved by the Court, but has been agreed to by all parties.	$246,791
Total	$2,965,791

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 accumulated and current pass-through obligations shown in his most recent notice as was approximately $1,433,000.

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. Tax revenues are not sufficient to pay these amounts and the full $250,000. Administrative costs, therefore, are in part paid from other Agency revenues (principally rents and loan repayments).

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.

- Arrange for the external audit of the Successor Agency, as required to meet bond covenants for the June 30, 2014 audit and each year thereafter until the Agency is terminated.