

RESOLUTION NO. OB 2014-01

A RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY FOR THE REDEVELOPMENT AGENCY OF THE CITY OF EAST PALO ALTO APPROVING THE SIXTH RECOGNIZED OBLIGATION PAYMENT SCHEDULE (ROPS 14-15A) FOR THE PERIOD FROM JULY 1, 2014 TO DECEMBER 31, 2014

WHEREAS, on December 29, 2011, the California Supreme Court delivered its decision in *California Redevelopment Association v. Matosantos*, finding ABx1 26 (the "Dissolution Act") largely constitutional; and

WHEREAS, under the Dissolution Act and the California Supreme Court's decision in *California Redevelopment Association v. Matosantos*, all California redevelopment agencies, including the Redevelopment Agency of the City of East Palo Alto (the "Dissolved RDA"), were dissolved on February 1, 2012; and

WHEREAS, on January 10, 2012, the City Council (the "City Council") of the City of East Palo Alto (the "City") adopted resolution 4226 accepting for the City the role of Successor Agency to the Dissolved RDA (the "Successor Agency"); and

WHEREAS, 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 every six-month period, starting with the period ending on June 30, 2012; and

WHEREAS, on April 16, 2012, the Successor Agency staff prepared, the Oversight Board considered and approved the first ROPS (ROPS I), for the six-month period ending June 30, 2012 (the "First ROPS"); and

WHEREAS, on April 30, 2012, the Successor Agency staff prepared, the Oversight Board considered and approved the second ROPS (ROPS II), for the six-month period ending December 31, 2012 (the "Second ROPS"); and

WHEREAS, on August 16, 2012, the Successor Agency staff prepared, the Oversight Board considered and approved the third ROPS (ROPS III), for the six-month period ending June 30, 2013 (the "Third ROPS"); and

WHEREAS, on October 10, 2012, the Successor Agency staff prepared, the Oversight Board considered and approved the Low and Moderate Income Housing Fund Due Diligence Review; and

WHEREAS, on January 7, 2013, the Successor Agency staff prepared, the Oversight Board considered and approved the Non Housing Fund Due Diligence Review; and

WHEREAS, on February 21, 2013, the Successor Agency staff prepared, the Oversight Board approved the Fourth ROPS (ROPS 13-14A) for the six-month period ending December 31, 2013 (the "Fourth ROPS"); and

WHEREAS, on September 19, 2013, the Successor Agency staff prepared, the Oversight Board considered and approved the Fifth ROPS (ROPS 13-14B) for the six-month period ending June 30, 2014 (the "Fifth ROPS"); attached here as Exhibit A, including a \$125,000 Administrative Costs allowance; attached here as Exhibit B, and

WHEREAS, on February 20, 2014, the Successor Agency staff prepared, the Oversight Board considered and approved the Sixth ROPS (ROPS 14-15a) for the six-month period ending December 31, 2014 (the "Sixth ROPS"); attached here as Exhibit A, including a \$125,000 Administrative Costs allowance; attached here as Exhibit B, and

WHEREAS, under the Dissolution Act, the ROPS 14-15A must be approved by the Successor Agency's oversight board (the "Oversight Board") to enable the Successor Agency to continue to make payments on enforceable obligations; and

WHEREAS, pursuant to the Dissolution Act, the duly constituted Oversight Board for the Successor Agency met at a duly noticed public meeting on February 20, 2014 to obtain an overview of the ROPS 14-15A to consider specific obligations listed on the Sixth ROPS and to consider approval of the Sixth ROPS, among other approvals; and

WHEREAS, the Oversight Board has considered the aforementioned items and finds that such obligations constitute "enforceable obligations" and "recognized obligations" for all purposes of the Dissolution Act; and

NOW, THEREFORE, BE IT RESOLVED that the Oversight Board of the Successor Agency for the Dissolved RDA hereby finds, resolves, and determines as follows:

SECTION 1. The foregoing recitals are true and correct, and, together with information provided by the Successor Agency staff and the public, form the basis for the approvals, findings, resolutions, and determinations set forth below.

SECTION 2. Under the Health and Safety Code, the Oversight Board may reconsider disallowed enforceable obligations by the Department of Finance.

SECTION 3. The Oversight Board has reviewed the City loans included in items 1 and 3 of the ROPS 14-15A, approves the loans as enforceable obligations and makes a finding that they were for legitimate redevelopment purposes.

SECTION 4. The Oversight Board has reviewed all the aforementioned obligations, and hereby approves all items included in ROPS 14-15A (Exhibit A) as enforceable obligations.

ADOPTED on February 20, 2014 by the Members of the Oversight Board of the Successor Agency for the Redevelopment Agency of the City of East Palo Alto with the following vote, to wit:

AYES: Farrales, Abrica, Chow, Jellins, Doughty

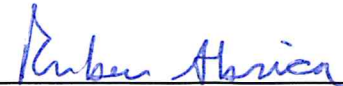
NOES:

ABSENT: Curtis, Schapelhouman

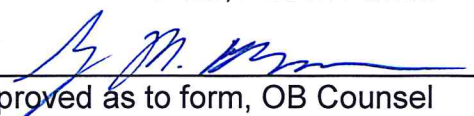
ABSTAIN:



Oversight Board Secretary



Chair, Ruben Abrica



Approved as to form, OB Counsel

ROPS 14-15A

Recognized Obligation Payment Schedule (ROPS 14-15A) - Summary

Filed for the July 1, 2014 through December 31, 2014 Period

Name of Successor Agency: East Palo Alto
 Name of County: San Mateo

| Current Period Requested Funding for Outstanding Debt or Obligation | | Six-Month Total |
|--|--|-----------------|
| Enforceable Obligations Funded with Non-Redevelopment Property Tax Trust Fund (RPTTF) Funding Sources (B+C+D): | | |
| A | Bond Proceeds Funding (ROPS Detail) | \$ - |
| B | Reserve Balance Funding (ROPS Detail) | - |
| C | Other Funding (ROPS Detail) | - |
| D | Enforceable Obligations Funded with RPTTF Funding (F+G): | \$ 1,687,144 |
| E | Non-Administrative Costs (ROPS Detail) | 1,562,144 |
| F | Administrative Costs (ROPS Detail) | 125,000 |
| G | Current Period Enforceable Obligations (A+E): | \$ 1,687,144 |

| | | |
|--|--|--------------|
| Successor Agency Self-Reported Prior Period Adjustment to Current Period RPTTF Requested Funding | | |
| I | Enforceable Obligations funded with RPTTF (E): | 1,687,144 |
| J | Less Prior Period Adjustment (Report of Prior Period Adjustments Column S) | (243,719) |
| K | Adjusted Current Period RPTTF Requested Funding (I-J) | \$ 1,443,425 |

| | | |
|--|---|-----------|
| County Auditor Controller Reported Prior Period Adjustment to Current Period RPTTF Requested Funding | | |
| L | Enforceable Obligations funded with RPTTF (E): | 1,687,144 |
| M | Less Prior Period Adjustment (Report of Prior Period Adjustments Column AA) | - |
| N | Adjusted Current Period RPTTF Requested Funding (L-M) | 1,687,144 |

Certification of Oversight Board Chairman:
 Pursuant to Section 34177(m) of the Health and Safety code, I hereby certify that the above is a true and accurate Recognized Obligation Payment Schedule for the above named agency.

Rubén Abrica Oversight Board Chair
 Name
 /s/ Rubén Abrica 2/24/14
 Signature Date

Recognized Obligation Payment Schedule (ROPS) 14-15A - ROPS Detail
 July 1, 2014 through December 31, 2014
 (Report Amounts in Whole Dollars)

| Item # | A | B | C | D | E | F | G | H | I | J | K | | | | O | P |
|--------|--|--|-----------------------------------|-------------------------------------|--|--|--------------|--------------------------------------|---|---|---------|---------------|-----------------|-------------|---|--------------|
| | | | | | | | | | | | Retired | Bond Proceeds | Reserve Balance | Other Funds | | |
| | Project Name / Debt Obligation | Obligation Type | Contract/Agreement Execution Date | Contract/Agreement Termination Date | Payee | Description/Project Scope | Project Area | Total Outstanding Debt or Obligation | | | | | | | | |
| 1 | Refunding Agreement | City/County Loans | 6/19/1989 | 1/18/2045 | City of East Palo Alto | Loan for Operation Advances | R | \$ 93,136,489 | | | | | | | | \$ 1,687,144 |
| 2 | Refunding Agreement | City/County Loans | 6/19/1989 | 1/18/2045 | City of East Palo Alto | Infrastructure Improvements | G,UC,R | 5,264,103 | | | | | | | | \$ 125,000 |
| 3 | Refunding Agreement | City/County Loans | 2/21/1995 | 1/18/2045 | City of East Palo Alto | Debt for Land Sold to Agency | G | 6,413,730 | | | | | | | | 24,662 |
| 4 | Bay Road Infrastructure Improvements | Improvement/Infrastructure | 8/10/2005 | 6/30/2014 | City of East Palo Alto | Local match for Bay Road Infrastructure Improvements | G,UC,R | 2,376,000 | | | | | | | | |
| 5 | 2003 Tax Allocation Refunding Bonds, Series A | Bonds Issued On or Before 12/31/10 | 1/1/2003 | 10/1/2032 | Wells Fargo Bank Trust | Partial refunding of 1999 TABS | G,UC | 9,189,425 | | | | | | | | 138,975 |
| 6 | 2003 Tax Allocation Refunding Bonds, Series B | Bonds Issued On or Before 12/31/10 | 1/1/2003 | 10/1/2032 | Wells Fargo Bank Trust | Partial refunding of 1999 TABS; housing portion | G,UC | 5,013,874 | | | | | | | | 177,454 |
| 7 | 2005 Revenue Bonds, Series A | Revenue Bonds Issued On or Before 12/31/10 | 1/1/2005 | 10/1/2029 | Wells Fargo Bank Trust | Refunding of 1999 TABS | G,UC | 22,432,919 | | | | | | | | 1,048,985 |
| 8 | Post Audit of Financial Transactions | Dissolution Audits | 1/1/2012 | 6/30/2015 | Maze and Associates | post audit of financial transactions as required under AB 1484 section 34177 (b) | G,UC,R | 254,200 | | | | | | | | 8,200 |
| 9 | Employee Costs for project implementation activities | Project Management Costs | 1/1/2012 | 6/30/2015 | Employees of Agency | Payroll and Payroll-related Costs | G,UC,R | 189,800 | | | | | | | | 94,758 |
| 10 | Due Diligence Review as mandated by AB 1484 | Dissolution Audits | 8/13/2012 | 6/30/2014 | CPA firm to be determined | Due diligence review performed by licensed accountant | G,UC,R | | | | | | | | | \$ - |
| 11 | Operating Subsidy Loan | Business Incentive Agreements | 5/4/2004 | 1/1/2026 | Bay Road Housing LP | Courtyard Affordable Housing | R | 720,000 | | | | | | | | 60,000 |
| 12 | Bank Charges for Bond Fiscal Agent Management | Fees | 1/1/1999 | 1/1/2032 | Wells Fargo Bank Trust | Trustee administrative charges | G,UC,R | 172,900 | | | | | | | | 9,100 |
| 14 | Employee Costs for project implementation activities | Project Management Costs | 2/1/2012 | 6/30/2014 | Employees of Agency | Payroll and Payroll-related Costs | G,UC,R | | | | | | | | | \$ - |
| 15 | Administrative Costs | Admin Costs | 2/1/2012 | 6/30/2014 | City of East Palo Alto and 3rd Party Vendors | Administrative Allowance | G,UC,R | 4,875,000 | | | | | | | | 125,000 |
| 16 | Vacation payments made to former RDA employees | Unfunded Liabilities | 2/1/2012 | 6/30/2014 | City of East Palo Alto | Payment of accrued vacation made to former RDA employees | G,UC,R | 19,499 | | | | | | | | \$ - |
| 17 | Sick leave payments made to former RDA employees | Unfunded Liabilities | 2/1/2012 | 6/30/2014 | City of East Palo Alto | Payment of accrued sick made to former RDA employees | G,UC,R | 26,337 | | | | | | | | \$ - |
| 18 | Actual Employee Costs for project implementation activities during the ROPS III period in excess of previous funding | Project Management Costs | 1/1/2012 | 6/30/2014 | Employees of Agency | Payroll and Payroll-related Costs | G,UC,R | | | | | | | | | \$ - |

Recognized Obligation Payment Schedule (ROPS) 14-15A - Report of Cash Balances

(Report Amounts in Whole Dollars)

| A | B | C | D | E | F | G | H | I | | | | | | |
|---|--|--|---|------------------------------|---------------------|----------|-----------|------|---------------|--|-----------------|--|-------|--|
| | | | | | | | | | Fund Sources | | | | | |
| | | | | | | | | | Bond Proceeds | | Reserve Balance | | Other | |
| Bonds Issued on or before 12/31/10 | Bonds Issued on or after 01/01/11 | Prior ROPS period balances and DDR balances retained | Prior ROPS RPTTF distributed as reserve for next bond payment | Rent, Grants, Interest, Etc. | Non-Admin and Admin | Comments | | | | | | | | |
| Cash Balance Information by ROPS Period | | | | | | | | | | | | | | |
| ROPS 13-14A Actuals (07/01/13 - 12/31/13) | | | | | | | | | | | | | | |
| 1 | Beginning Available Cash Balance (Actual 07/01/13) | | | | | | 166,870 | | | | | | | |
| Note that for the RPTTF, 1 + 2 should tie to columns J and O in the Report of Prior Period Adjustments (PPAs) | | | | | | | | | | | | | | |
| 2 | Revenue/Income (Actual 12/31/13) | | | | | | | | | | | | | |
| Note that the RPTTF amounts should tie to the ROPS 13-14A distribution from the County Auditor-Controller during June 2013 | | | | | | | | | | | | | | |
| 3 | Expenditures for ROPS 13-14A Enforceable Obligations (Actual 12/31/13) | | | | | | 1,483,546 | | | | | | | |
| Note that for the RPTTF, 3 + 4 should tie to columns L and Q in the Report of PPAs | | | | | | | | | | | | | | |
| 4 | Retention of Available Cash Balance (Actual 12/31/13) | | | | | | | | | | | | | |
| Note that the RPTTF amount should only include the retention of reserves for debt service approved in ROPS 13-14A | | | | | | | | | | | | | | |
| 5 | ROPS 13-14A RPTTF Prior Period Adjustment | | | | | | | | | | | | | |
| Note that the RPTTF amount should tie to column S in the Report of PPAs | | | | | | | | | | | | | | |
| 6 | Ending Actual Available Cash Balance | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | (0) | | | | | |
| C to G = (1 + 2 - 3 - 4), H = (1 + 2 - 3 - 4 - 5) | | | | | | | | | | | | | | |
| ROPS 13-14B Estimate (01/01/14 - 06/30/14) | | | | | | | | | | | | | | |
| 7 | Beginning Available Cash Balance (Actual 01/01/14) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | 243,719 | | | | | |
| C, D, E, G = 4 + 6, F = H4 + F4 + F6, and H = 5 + 6 | | | | | | | | | | | | | | |
| 8 | Revenue/Income (Estimate 06/30/14) | | | | | | | | | | | | | |
| Note that the RPTTF amounts should tie to the ROPS 13-14B distribution from the County Auditor-Controller during January 2014 | | | | | | | | | | | | | | |
| 9 | Expenditures for 13-14B Enforceable Obligations (Estimate 06/30/14) | | | | | | | | 907,358 | | | | | |
| Note that the RPTTF amounts may include the retention of reserves for debt service approved in ROPS 13-14B | | | | | | | | | | | | | | |
| 10 | Retention of Available Cash Balance (Estimate 06/30/14) | | | | | | | | 929,766 | | | | | |
| Note that the RPTTF amounts may include the retention of reserves for debt service approved in ROPS 13-14B | | | | | | | | | | | | | | |
| 11 | Ending Estimated Available Cash Balance (7 + 8 - 9 - 10) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | 221,311 | | | | | |

Recognized Obligation Payment Schedule 14-15A - Notes

July 1, 2014 through December 31, 2014

| Item # | Notes/Comments |
|--------|--|
| 1 | This obligation is evidenced by a loan repayment agreement between the City of East Palo Alto (City) and the former East Palo Alto Redevelopment Agency (RDA) whereby the City advanced cash to provide operating funds for the Ravenswood Project Area to implement its redevelopment plan and to reduce blight. Under AB 1484 (Dissolution Act), this loan agreement can be repaid beginning in fiscal year 2013-14, but after the Successor Agency (SA) receives a Finding of Completion from the DOF (which the SA received on July 16, 2013) and the Oversight Board makes a finding that the loan was for legitimate redevelopment purposes. The Dissolution Act also requires that the interest rate on the loan not to exceed the LAIF rate. As a result, the City recalculated the loan amount and wrote down the balance using the LAIF rates. The amount of \$5,248,472 shown on ROPS 14-15A is the new loan balance using the LAIF rates. Under Health and Safety Code Section 34191.4, the annual loan repayments that can be included in the ROPS are limited. The maximum repayment amount for fiscal year 2013-14 is limited to the growth in RPTTF revenues in 2013-14 compared to the base year of 2012-13 (new growth). The repayment amount has been calculated using the DOF provided Sponsoring Entity Loan Repayment Calculator and applied entirely to the loan on Item # 3. |
| 2 | This obligation is evidenced by an amendment to the 1989 repayment agreement between the City of East Palo Alto (City) and the East Palo Alto Redevelopment Agency (RDA) whereby the RDA would reimburse the City for infrastructure improvements obligations in the Ravenswood Project Area necessary to implement its redevelopment plan. No repayment is included in ROPS 14-15A. |
| 3 | This obligation is for land sold from the City of East Palo Alto (City) to the East Palo Alto Redevelopment Agency (RDA) for which the City entered into a long term loan agreement whereby the RDA would repay the City over time. Under AB 1484 (Dissolution Act), this loan agreement can be repaid beginning in fiscal year 2013-14, but after the Successor Agency (SA) receives a Finding of Completion from the DOF (which the SA received on July 16, 2013) and the Oversight Board makes a finding that the loan was for legitimate redevelopment purposes. The Dissolution Act also requires that the interest rate on the loan not to exceed the LAIF rate. Since this was a zero interest loan, no recalculation was necessary. Under Health and Safety Code Section 34191.4, the annual loan repayments that can be included in the ROPS are limited. The maximum repayment amount for fiscal year 2013-14 is limited to the growth in RPTTF revenues in 2013-14 compared to the base year of 2012-13 (new growth). The repayment amount has been calculated using the DOF provided Sponsoring Entity Loan Repayment Calculator. |
| 4 | This obligation was originally approved by the OSB and DOF in ROPS I. The SA relied on the DOF approval and obligated a contract with a 3rd party. Nevertheless, the DOF denied this as an enforceable obligation in its DDR - OFA determination letter. The SA continues to protest this DOF action. |
| 8 | Total outstanding Obligation is an estimate |
| 9 | Total outstanding Obligation is an estimate |
| 12 | Total outstanding Obligation is an estimate |
| 14 | This item may be deleted as it is included as item # 9 |
| 15 | Total outstanding Obligation is an estimate |
| 16 | This obligation was originally approved by the OSB and DOF in ROPS I. However, the DOF clawed the funds back in the DDR - OFA as monies had not been disbursed yet. The DOF did give instructions to the SA in its DDR - OFA determination letter to include the obligation on future ROPS once the obligation becomes payable. |
| 17 | This obligation was originally approved by the OSB and DOF in ROPS I. However, the DOF clawed the funds back in the DDR - OFA as monies had not been disbursed yet. The DOF did give instructions to the SA in its DDR - OFA determination letter to include the obligation on future ROPS once the obligation becomes payable. |

| Sponsoring Entity Loan Repayment Calculator | | | |
|---|---|---|------------------------------|
| Base Year: | ROPS II July thru December 2012 | ROPS III January thru June 2013 | Total For Base Year |
| Total Residual Balance | \$ 665,284 | \$ 2,948,396 | \$ 3,613,680 |
| Comparison Year: | ROPS 13-14A July thru December 2013 | ROPS 13-14B January thru June 2014 | Total For Comparison Year |
| Total Residual Balance | \$ 905,517 | \$ 2,757,486 | \$ 3,663,003 |
| A | Total Residual Balance for Comparison Year | | |
| B | Total Residual Balance for Base Year | | |
| A-B | Difference of Residual Balance | | |
| | Divide Difference by two | | |
| | Maximum Repayment Amount Authorized Per Fiscal Year | | |
| | <p>Note: This is a tool provided by Finance to assist successor agencies in determining the maximum repayment amount per authorized fiscal year. Placing this amount on the ROPS does not automatically guarantee approval of the repayment</p> | | |
| | | Input fields (amounts from County Auditor- Controller RPTTF Distribution Report) | |
| | | Formula fields, no input required. | |
| | | \$ 49,323 | -2 |
| | | \$ 24,662 | |

City of East Palo Alto, in its capacity as Successor Agency, for the Former Redevelopment Agency of the City of East Palo Alto

Administrative Budget, July 1, 2014 – December 31, 2014

| | Budgeted |
|--|-------------------|
| Personnel - Economic Development Division Manager | \$ 3,301 |
| Management and administrative Support (per Cost Allocation Plan) | \$ 109,683 |
| Services and supplies | |
| Legal, accounting, and professional fees | \$ 10,200 |
| Operating supplies and expenses | \$ 1,816 |
| Total Service and supplies | <u>\$ 12,016</u> |
| Total Administrative Budget | <u>\$ 125,000</u> |