

RESOLUTION NO. OB 2013-011

A RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE LA MESA COMMUNITY REDEVELOPMENT AGENCY APPROVING A SECOND LOAN AGREEMENT BETWEEN THE CITY OF LA MESA AND THE SUCCESSOR AGENCY IN ORDER FOR THE SUCCESSOR AGENCY TO PAY CERTAIN RECOGNIZED ENFORCEABLE OBLIGATIONS DUE AND PAYABLE DURING THE PERIOD FROM JULY 1, 2013 THROUGH DECEMBER 31, 2013

WHEREAS, the La Mesa Community Redevelopment Agency ("Redevelopment Agency") was a redevelopment agency in the City of La Mesa ("City"), duly created pursuant to the California Community Redevelopment Law (Part 1 (commencing with Section 33000) of Division 24 of the California Health and Safety Code) ("Redevelopment Law");

WHEREAS, Assembly Bill No. X1 26 (2011-2012 1st Ex. Sess.) ("AB 26") was signed by the Governor of California on June 28, 2011, making certain changes to the Redevelopment Law and to the California Health and Safety Code ("Health and Safety Code"), including adding Part 1.8 (commencing with Section 34161) ("Part 1.8") and Part 1.85 (commencing with Section 34170) ("Part 1.85") to Division 24 of the Health and Safety Code;

WHEREAS, pursuant to AB 26, as modified by the California Supreme Court on December 29, 2011 by its decision in *California Redevelopment Association v. Matosantos*, all California redevelopment agencies, including the Redevelopment Agency, were dissolved on February 1, 2012, and successor agencies were designated and vested with the responsibility of paying, performing and enforcing the enforceable obligations of the former redevelopment agencies and expeditiously winding down the business and fiscal affairs of the former redevelopment agencies;

WHEREAS, the City Council of the City adopted Resolution No. 2012-005 on January 10, 2012, pursuant to Part 1.85 of AB 26, electing for the City to serve as the successor agency to the Redevelopment Agency upon the dissolution of the Redevelopment Agency under AB 26 ("Successor Agency");

WHEREAS, Health and Safety Code Section 34179 of AB 26 establishes a seven (7) member local entity with respect to each successor agency with fiduciary responsibilities to holders of enforceable obligations and taxing entities that benefit from distributions of property taxes, and such entity is titled the "oversight board." The oversight board has been established for the Successor Agency (hereinafter referred to as the "Oversight Board") and all seven (7) members have been appointed to the Oversight Board pursuant to Health and Safety Code Section 34179. The duties and responsibilities of the Oversight Board are primarily set forth in Health and Safety Code Sections 34179 through 34181 of AB 26;

WHEREAS, as part of the FY 2012-2013 State budget package, on June 27, 2012, the Legislature passed and the Governor signed Assembly Bill No. 1484 ("AB 1484", Chapter 26, Statutes 2012), which amended certain provisions of AB 26. On September 29, 2012, the Legislature passed and the Governor signed Assembly Bill No. 1585 ("AB 1585"), which further amended certain provisions of AB 26 as amended by AB 1484 (AB 26, AB 1484, and AB 1585 are collectively referred to herein as the "Dissolution Act");

WHEREAS, pursuant to Health and Safety Code Section 34171(m) of the Dissolution Act, a "Recognized Obligation Payment Schedule" ("ROPS") means the document setting forth the minimum payment amounts and due dates of payments required by enforceable obligations for each six-month fiscal period as provided in Health and Safety Code Section 34177(m) of the Dissolution Act;

WHEREAS, according to Health and Safety Code Section 34177(l)(1) of the Dissolution Act, the Successor Agency shall prepare a ROPS before each six-month fiscal period. For each recognized obligation, the ROPS shall identify one or more of the following sources of payment: (i) Low and Moderate Income Housing Funds, (ii) bond proceeds, (iii) reserve balances, (iv) administrative cost allowance, (v) the Redevelopment Property Tax Trust Fund ("RPTTF") but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation or by the provisions of Part 1.85 of the Dissolution Act, and (vi) other revenue sources, including rents, concessions, asset sale proceeds, interest earnings, and any other revenues derived from the former Redevelopment Agency as approved by the Oversight Board in accordance with Part 1.85 of the Dissolution Act;

WHEREAS, pursuant to Health and Safety Code Section 34177 of the Dissolution Act, the Successor Agency adopted the fourth ROPS covering the period from July 1, 2013 through December 31, 2013 ("ROPS 13-14A");

WHEREAS, in accordance with Health and Safety Code Sections 34177(l)(2)(B) and 34180(g) of the Dissolution Act, on February 7, 2013, the Oversight Board approved the ROPS 13-14A as proposed by the Successor Agency pursuant to Oversight Board Resolution OB 2013-002. In accordance with the Dissolution Act, the Successor Agency submitted the Oversight Board-approved ROPS 13-14A to the State Department of Finance ("Department of Finance"), the San Diego County Auditor-Controller ("County Auditor-Controller"), the San Diego County Administrative Officer and the State Controller's Office by the statutory deadlines. On April 22, 2013, the Department of Finance approved the ROPS 13-14A as approved by the Oversight Board and submitted by the Successor Agency, and specifically approved a total RPTTF distribution of \$748,045 to pay for recognized enforceable obligations and administrative costs of the Successor Agency;

WHEREAS, pursuant to Health and Safety Code Section 34183(b) of the Dissolution Act, the Successor Agency submitted to the County Auditor-Controller a Notice of Insufficient Funds, advising the County Auditor-Controller that the Successor Agency will have insufficient funds to pay all recognized enforceable obligations listed

on the approved ROPS 13-14A. The County Auditor-Controller and the State Controller's Office concurred with the Successor Agency by letter dated May 31, 2013;

WHEREAS, pursuant to Health and Safety Code Section 34183(a)(2) of the Dissolution Act, the County Auditor-Controller is required to make a payment of property tax revenues (i.e. former tax increment funds) from the RPTTF to the Successor Agency on June 1, 2013 for payments to be made toward recognized obligations listed on the ROPS 13-14A and approved by the Department of Finance;

WHEREAS, on June 1, 2013, the County Auditor-Controller withheld from the RPTTF distribution an amount totaling \$491,718, that was approved by the Department of Finance for payment of recognized enforceable obligations approved on the ROPS 13-14A;

WHEREAS, because the City determined it is in the best interests of the City to ensure that the Successor Agency does not default on its bonded indebtedness payments and other enforceable obligations listed on a ROPS approved by the Department of Finance, on July 24, 2012, the City Council of the City appropriated an amount not to exceed \$1,069,894 from General Fund Reserves to advance to the Successor Agency, as needed, in order to cover funding shortages that occur as a result of the County Auditor-Controller's withholding of RPTTF to the Successor Agency to be used for payment of recognized enforceable obligations;

WHEREAS, to enable the Successor Agency to meet its fiduciary responsibilities to holders of enforceable obligations, in particular the owners of bonded indebtedness, and for the Successor Agency to have adequate funds for administration, the City desires to loan an amount not to exceed \$491,718 ("City Loan") from the General Fund Reserve to the Successor Agency to cover the actual shortfall of required funding for recognized enforceable obligations listed on the ROPS 13-14A that have resulted and will result from the County Auditor-Controller withholding the a majority of RPTTF distribution on June 1, 2013;

WHEREAS, the City Loan will be used by the Successor Agency to pay the following recognized enforceable obligations listed on the ROPS 13-14A approved by the Department of Finance in the following amounts: (i) Item 2: Certificates of Participation Series B - \$173,899; (ii) Item 3: AD 98-1 Limited Obligation Bonds - \$185,869; (iii) Items 10 and 12: AD 90-1 and AD 98-1 Annual Disclosure Fees - \$4,700; and (iv) Item 15: Administrative Cost Allowance - \$127,250;

WHEREAS, on July 16, 2013, the Department of Finance issued a Finding of Completion to the Successor Agency pursuant to Health and Safety Code Section 34179.7 of the Dissolution Act;

WHEREAS, the City and the Successor Agency have each determined that entering into the Second Loan Agreement is in the best interests of the City and the Successor Agency and have each approved the Second Loan Agreement, City Loan and Promissory Note; and

WHEREAS, pursuant to Health and Safety Code Sections 34173(h), 34178(a), and 34180(h) of the Dissolution Act, the Successor Agency, upon the approval of the Oversight Board, has the authority to enter into the proposed Second Loan Agreement with the City and to approve the terms for repayment of the City Loan, including the pledge of property tax for such repayment payable from the RPTTF maintained by the County Auditor-Controller, used for the purpose of paying recognized enforceable obligations of the Successor Agency.

NOW, THEREFORE, the Oversight Board of the Successor Agency to the La Mesa Community Redevelopment Agency does hereby resolve as follows:

Section 1. The Oversight Board hereby determines that the foregoing recitals are true and correct.

Section 2. All legal prerequisites to the adoption of this Resolution have occurred.

Section 3. (a) The Oversight Board hereby determines that the Second Loan Agreement and the City Loan are necessary for the Successor Agency to meet its fiduciary responsibilities to holders of recognized enforceable obligations, including owners of bonded indebtedness, and to pay certain administrative costs as listed on the approved ROPS 13-14A, as more particularly set forth in the Second Loan Agreement.

(b) The Oversight Board hereby determines that the Second Loan Agreement and the City Loan are in the best interests of the holders of enforceable obligations and of the taxing entities since the Second Loan Agreement and the City Loan will provide the necessary funding to the Successor Agency to make payments due on enforceable obligations and, therefore, prevent the Successor Agency from defaulting on its payment of enforceable obligations and eliminate any potential risk of Successor Agency liability based on said default.

(c) The Oversight Board hereby determines that the Second Loan Agreement and the City Loan are an enforceable obligation to be repaid by the Successor Agency from the Redevelopment Property Tax Trust Fund upon approval of the ROPS 13-14B for the period January 1, 2014 through June 30, 2014, which includes the Second Loan Agreement as an enforceable obligation and the repayment of the City Loan from the Redevelopment Property Tax Trust Fund.

Section 4. The Oversight Board hereby (i) approves the proposed Second Loan Agreement and the proposed Promissory Note attached thereto as Exhibit "A" in substantially the form presented to the Oversight Board at this meeting, with such minor changes as may be approved by the Successor Agency Executive Director or designee with approval as to form by the Successor Agency's General Counsel; (ii) approves and recognizes the proposed Second Loan Agreement and the City Loan in the principal amount of \$491,718 and accrued interest as an enforceable obligation under the Dissolution Act; and (iii) approves the Successor Agency's repayment of the City Loan and accrued interest, calculated at an interest rate equal to the quarterly interest rate

applicable to funds on deposit in the Local Agency Investment Fund, from available property taxes payable and received by the Successor Agency from the Redevelopment Property Tax Trust Fund in each six-month period until paid in full; and (iv) approves the Successor Agency's pledge of property taxes payable from the Redevelopment Property Tax Trust Fund to repay the City Loan and accrued interest.

Section 5. The Oversight Board hereby authorizes the Successor Agency Executive Director or designee to execute the proposed Second Loan Agreement and the proposed Promissory Note attached thereto as Exhibit "A", evidencing the City Loan in the principal amount of \$491,718, to be repaid with interest as provided in the Second Loan Agreement and the Promissory Note, consistent with this Resolution.

Section 6. The Oversight Board hereby adopts, approves, ratifies and confirms all actions to be taken by the Successor Agency and its staff to accept the City Loan and expend the City Loan to pay recognized enforceable obligations, including bonded indebtedness, and certain administrative costs as listed on the approved ROPS 13-14A, as more particularly set forth in the Second Loan Agreement, and to repay the City Loan plus accrued interest.

Section 7. The Oversight Board hereby authorizes the Successor Agency Executive Director or designee to take such actions and negotiate and execute such instruments and documents as are reasonable, appropriate, and necessary or desirable to effectuate the intent of this Resolution.

Section 8. This Resolution shall take effect immediately upon its adoption and is subject to review by the Department of Finance in accordance with Health and Safety Code Section 34179(h).

PASSED AND ADOPTED at a duly noticed public meeting of the Oversight Board of the Successor Agency to the La Mesa Community Redevelopment Agency held the 19th of September 2013, by the following vote, to wit:

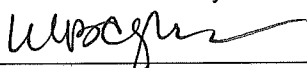
AYES: Adams, Gonzales, Patterson, Rearic, South

NOES: none

ABSENT: Ayres, Fazio

CERTIFICATE OF SECRETARY

I, WILLIAM B. CHOPYK, Secretary of the Oversight Board of the Successor Agency to the La Mesa Community Redevelopment Agency, do hereby certify the foregoing to be a true and exact copy of Resolution No. OB 2013-011 duly passed and adopted by the Oversight Board of the Successor Agency to the La Mesa Community Redevelopment Agency on the date and by the vote therein recited.



WILLIAM B. CHOPYK
Secretary
Oversight Board of the Successor Agency to the
La Mesa Community Redevelopment Agency

9/19/2013
Date