

Asset Transfer Assessment

Cover Page

Successor Agency City of Roseville RDA
Agency ID Number 13983174800

Successor Agency Officer Certification:

TO STATE CONTROLLER, I hereby certify, to the best of my knowledge and belief, that the information reported on the asset transfer assessment is accurate, accounted for, and fully disclosed.

Successor Agency Officer:



Signature

Fiscal Officer

Title

Russell Branson

Name (Printed)

916774-5320

Telephone No.

4/18/12

Date



SUCCESSOR AGENCY MEMO

4398

City Clerk Use Only

DATE:	January 18, 2012
TITLE:	Budget Adjustment for "Legally Enforceable Obligations"
CONTACT:	Kevin Payne, Assistant Director, (916) 774-5256 or kpayne@roseville.ca.us

Meeting Date: January 30, 2012

SUMMARY RECOMMENDATION

It is recommended that the Successor Agency take the following action:

1. Approve the requested budget adjustment of \$8,111,836 from the Redevelopment Agency's (Agency) project savings, 2006 tax-exempt bond funds and 2006 taxable bond funds to reimburse the City's Strategic Improvement Fund for loan funds extended to construct capital improvement projects in the redevelopment plan area and to fund the start-up loan for the Roseville Community Development Corporation; and,
2. Adopt the attached ordinance to be immediately effective as an appropriation measure to amend the 2011/12 budget.

BACKGROUND

At the City Council meeting of January 9, 2012, the Council elected to become the Successor Agency for the City of Roseville Redevelopment Agency (Attachment 1). As such, all of the assets, properties, contracts, leases and records of the Agency are now transferred to the Successor Agency. Subject to monitoring, and in some cases the approval of a future Oversight Board, the Successor Agency is responsible for the winding up of the Agency's obligation's and affairs.

In compilation of an amended Enforceable Obligation Payment Schedule (EOPS), consistent with Assembly Bill 1X-26, a review of the Agency's "legally enforceable obligations" has been undertaken. The results of this effort revealed that funds were allocated from the Strategic Improvement Fund (SIF) and the General Fund to assist in financing past Agency capital projects. The SIF is a General Fund account that is funded through development fees, not Tax Increment (T.I.). Associated with these actions are loan documents evidencing these "legally enforceable obligations".

These funds have been applied principally to capital improvement projects, but they were also utilized to provide the start-up funding for the Roseville Community Development Corporation (RCDC). The two capital improvement projects the SIF funds were expended on include the Automall Wall Façade and the Riverside Avenue Streetscape and Infrastructure project. The Automall Wall Façade project received \$3 million in loan funds and the Riverside Avenue Project received \$4 million in loan funds. In completing these projects there was approximately \$1 million in project savings. Since these funds were extended as a loan it is being recommended that these funds be transferred back to the City to pay down this debt.

Routing Approval:

ASD S. ACM

ATTY

AGENDA ITEM

4.1

In November of 2010, the Council authorized \$5 million from the SIF to fund the future operations and investments of the RCDC. A formal budget adjustment that transferred these funds in a form of a loan from the City to the Redevelopment Agency was acted upon as part of this past Council action. The purpose of this action was to establish the Redevelopment Agency as a conduit for the future loan from the Redevelopment Agency to the RCDC. In the course of the RCDC's work program approximately \$3.5 million dollars of these loan funds have been drawn down, to date. Since the remaining \$1.5 million dollars are an extension of the SIF funds in the form of a Redevelopment Agency loan, it is recommended that the remaining funds be reimbursed back to the City's SIF reducing the Redevelopment Agency debt.

The Redevelopment Agency has secured two past bond acquisitions (2002 and 2006). These bonds are comprised of both tax exempt and taxable bond funds with the purpose of providing capital improvements in the Downtown and developing affordable housing. As part of securing the bonds the Vernon Street Streetscape and Infrastructure and the Riverside Avenue Streetscape and Infrastructure projects were listed as projects that would be constructed utilizing these funds. In order to extend the Agency's funds and complete other desired projects in the plan area, the City provide loans to complete their construction. These funds were extended through the SIF and some General Fund monies. Both projects have loan documents in place between the City and the Agency. The proposed budget adjustment would pay-off these two loans utilizing the remaining tax-exempt and taxable bond funds that were secured in the 2006 bond allocation and a limited amount of project savings noted previously.

DISCUSSION

Section 34170.5(d)(2) of AB1X-26 is directed towards defining what is an "enforceable obligation". Per this provision, it states:

..."enforceable obligations" does not include any agreements, contracts, or arrangements between the city, county, or city and county that created the redevelopment agency and the former redevelopment agency. However, written agreements entered into (A) at the time of issuance, but in no event later than December 31, 2010, of indebtedness obligations, and (B) solely for the purpose of securing or repaying those indebtedness obligations may be deemed enforceable obligations for purposes of this part. Notwithstanding this paragraph, loan agreements entered into between the redevelopment agency and the city, county or city and county that created it, within two years of the date of creation of the redevelopment agency, may be deemed to be enforceable obligations."

The City Attorney's office has reviewed the loan agreements that are currently in place that secured the funding arrangements between the City and the Redevelopment Agency, with regard to this definition. Based on their legal opinion the contracts that are in place are considered to be "legally enforceable" contracts due to federal contract law.

Additionally, following the Supreme Court action staff met with the City Attorney, Bond Counsel and our Redevelopment Financial consultant to discuss the financial implications of AB1X-26. As part of this discussion, our bond counsel and consultant were of the opinion that the use of these funds to repay existing legally contracted debt and reimburse the City's SIF is appropriate. This conclusion is supported by the following:

- These are documented loans from the City to the Agency, as such they are contracts, as prescribed by federal contract law and are "legally enforceable obligations";
- These loans have been reflected in the past Agency's Statement of Indebtedness (SOI) to be paid by future Tax Increment;

- These loans have been consistently shown on the approved Enforceable Obligation Payment Schedule (EOPS);
- The Automall Wall Façade and Riverside Avenue projects received a combined total of \$7 million in SIF monies, so any project savings is a justified re-imbusement of this fund;
- Use of the bond funds to pay for debt incurred to construct capital improvements for projects that were called out as part of the bond issuance process is appropriate,
- Both the Vernon Street Streetscape and Infrastructure project and the Riverside Avenue Streetscape and Infrastructure were included in the projects for which bond funds would be utilized;
- The Vernon Street Streetscape and Infrastructure project and the Riverside Avenue Streetscape and Infrastructure have constructed significant capital improvements and comply with the provisions of the bond issuance;
- The repayment of these loans reduces the future payment towards the Agency's debt and therefore provides funding back to the State; and,
- This action is consistent with the purpose of AB1X-26 and the role of the Successor Agency.

Although there is some risk of a contrary determination by the State, or by the oversight board to be created by statute, our legal counsel believes that the facts of the above loan payments and reimbursements, in light of applicable state and federal law, are "legally enforceable obligations".

The following provides a brief summary of the requested fund transfers and the debt that will be alleviated as part of these actions:

Resources	Debt	Available Funds	Transfer to SIF	Loan Balance
2006 Bond Funds		\$5,570,286		
Automall Project Savings - SIF		320,059		
Riverside Project Savings - SIF		690,540		
RCDC Loan Proceeds - SIF		1,530,951		
Loans/Obligations				
RCDC Loan - SIF	\$5,000,000		(\$1,530,95)	\$3,469,049
Vernon Streetscape - Bonds	1,572,939		(1,572,939)	\$0
Riverside Streetscape - Bonds	3,997,347		(3,997,347)	\$0
Riverside Streetscape - SIF	42,376		(42,376)	\$0
Automall Wall Façade - SIF	3,000,000		(968,223)	\$2,031,777
TOTALS =	\$13,612,662	\$8,111,836	-\$8,111,836	\$5,500,826

*Note: Indicates the source used to pay down prior SIF or GF loans.

As shown in this table, the four prior loans made with SIF or GF monies will be affected as follows:

- **Loan #1 - RCDC Loan** – The Corporation has drawn down approximately \$3.5 million in funds from the original \$5,000,000 loan which will remain as debt. The remaining approximately \$1.5 million in funds will be transferred back to the SIF. Overall, RCDC future obligation will be approximately \$3.5 million.
- **Loan #2 – Vernon Streetscape Loan** – This \$1.5 million dollar General Fund loan will be completely paid off with the 2006 bond funds, including principal and interest.

- **Loan #3 - Riverside Streetscape Loan** – The \$4 million dollar loan for the Riverside Avenue Streetscape and Infrastructure project will be completely paid off through the use of the remaining 2006 bond funds and a portion of the project savings from the Riverside project. This loan pay-off includes both principal and interest completely eliminating this loan balance.
- **Loan #4 - Automall Wall Façade** – The original \$3 million dollar loan will be reduced by \$968,223, leaving a remaining loan balance of \$2,031,777.

The aforementioned actions reduce the debt obligations of the Redevelopment Agency accomplishing the directive of the Successor Agency in "unwinding" the business of the prior Agency. In achieving a reduction in future payments through the reallocation of past Tax Increment, it is recommended that the requested budget adjustment be approved.

FISCAL IMPACT

As the Successor Agency to the City of Roseville Redevelopment Agency this action supports the provisions of the "unwinding" provisions of AB1X-26. This action will reduce the Redevelopment Agency's debt obligations by \$8,111,836 and repay binding obligations to the City for past loan funds extended for the construction of capital improvements and start-up funds for the RCDC.

ECONOMIC DEVELOPMENT/JOBS CREATED


This action is in response to past legislation and a subsequent court action. The purpose is not to promote economic development or jobs, but to ease the burden on the State budget. The Successor Agency's role is to "unwind" the assets and reduce the revenue necessary to be diverted to pay down the Redevelopment Agency's debt.

ENVIRONMENTAL REVIEW

The California Environmental Quality Act (CEQA) does not apply to activities that will not result in a direct or reasonably foreseeable indirect physical change in the environment (CEQA Guidelines §15061(b) (3)). The reimbursement of SIF monies that are considered "legally enforceable obligations" does not include the potential for a significant environmental effect, and therefore is not subject to CEQA.

Respectfully submitted,


Kevin Payne
Assistant Director


John Sprague
Assistant City Manager

APPROVED:


Ray Kerridge
City Manager

Attachments:

1. Resolution designating the City of Roseville the Successor Agency
2. Budget Adjustment Ordinance

RESOLUTION NO. 12-01

Planning & Redevelopment
Department

ELECTING TO SERVE AS THE SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF ROSEVILLE PURSUANT TO CALIFORNIA HEALTH AND SAFETY CODE SECTION 34173

WHEREAS, the Redevelopment Agency of the City of Roseville ("Agency") is a public body, corporate and politic, organized and existing under the California Community Redevelopment Law (Health & Safety Code §33000 *et seq.* ("CRL")); and

WHEREAS, the City of Roseville is a municipal corporation and charter city under the Constitution of the State of California ("City"); and

WHEREAS, on December 29, 2011, in *California Redevelopment Association v. Matosantos*, Case No. S194861, the California Supreme Court upheld Assembly Bill 1X26 (AB1X26), which dissolves all of the redevelopment agencies in California, and invalidated Assembly Bill 1x27, which would have allowed redevelopment agencies to remain in existence under certain conditions; and

WHEREAS, AB1X26 designates "successor agencies" to fulfill the enforceable obligations of the former redevelopment agencies and to perform other specified functions in the dissolution of redevelopment agencies; and

WHEREAS, the City Council has determined that it would be in the best interests of the community for the City of Roseville to serve as the successor agency to the Redevelopment Agency of the City of Roseville; and

WHEREAS, the City's affirmation election to serve as successor agency would eliminate any ambiguity or uncertainty in the interpretation and application of AB1X26 regarding designation of a successor agency and would facilitate performance of the successor agency's responsibilities;

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Roseville, California, as follows:

SECTION 1. The above recitals are true and correct and are adopted as the findings of the City Council.

SECTION 2. The City Council hereby affirmatively elects pursuant to Health and Safety Code Section 34173 that the City of Roseville shall serve as the successor agency to the Redevelopment Agency of the City of Roseville.

SECTION 3. The City Manager is hereby authorized and directed to execute documents and take such other and further actions as may be necessary and proper in order to implement this Resolution.

PASSED AND ADOPTED by the Council of the City of Roseville this 9th day of
January, 2012, by the following vote on roll call:

AYES COUNCILMEMBERS: Allard, Herman, Garcia, Rohan, Roccucci

NOES COUNCILMEMBERS: None

ABSENT COUNCILMEMBERS: None


MAYOR

ATTEST:


City Clerk

ORDINANCE NO. 5022

ORDINANCE OF THE COUNCIL OF THE CITY OF ROSEVILLE
AUTHORIZING CERTAIN AMENDMENTS TO THE 2011-12
BUDGET AND DECLARING THIS ORDINANCE TO BE IMMEDIATELY
EFFECTIVE AS AN APPROPRIATION MEASURE

THE CITY OF ROSEVILLE ORDAINS:

SECTION 1. The City of Roseville Annual Budget, Fiscal Year 2011-12, is hereby amended by transferring an additional appropriation to and from the activities indicated below:

<u>From:</u>	<u>To:</u>	
00110-3910 Riverside Avenue Loan Principal Payoff	00295-8910 Riverside Avenue Loan Principal Payoff	\$4,000,000.00
00100-3910 Vernon SS Loan Principal Payoff	00295-8910 Vernon SS Loan Principal Payoff	\$1,050,000.00
00100-3102 Vernon SS Loan Interest Payoff	00295-8105 Vernon SS Loan Interest Payoff	\$522,939.00
00110-3102 Riverside Avenue Loan Interest Payoff	00295-8105 Riverside Avenue Loan Principal Payoff	\$39,723.00
00110-3910 Automall Wall Loan Principal Payment	00295-8910 Automall Wall Loan Principal Payment	\$968,223.00
00110-3910 RCDC Loan Principal Return	00295-8910 RCDC Loan Principal Return	\$1,530,951.00

SECTION 2. This ordinance is hereby declared to be an appropriation measure, immediately effective pursuant to the provisions of Section 5.03 of the Charter.

SECTION 3. The City Clerk is hereby authorized and directed to post a true copy of the foregoing ordinance in each of three (3) conspicuous locations in the City and she shall immediately after such posting enter in the ordinance book, under the record of the ordinance, a certificate under her hand stating the time and place of such publication by posting.

PASSED AND ADOPTED by the Council of the City of Roseville, this
_____ day of _____, 20__, by the following vote on roll call:

AYES COUNCILMEMBERS:

NOES COUNCILMEMBERS:

ABSENT COUNCILMEMBERS:

MAYOR

ATTEST:

City Clerk



**CITY OF ROSEVILLE
REQUEST FOR BUDGET ADJUSTMENT
FINANCE DEPARTMENT**

Instructions: Fill in all requested information completely and accurately. When complete, print 3 copies for distribution to (1) Council Communication; (2) Budget Department; (3) Requesting Department.

REQUESTER: Kevin Payne
DEPARTMENT: Redevelopment Agency
DATE OF PROPOSED COUNCIL ACTION: 1/30/2012

USE OF FUNDS							
AMOUNT	ACCOUNT NUMBER					Account Title/Activity Description	
	GL		FUND	JL			
	ORG KEY	OBJECT		PROJECT	ACTIVITY		
\$ 4,000,000	00295	8910				Riverside Ave Loan Principal Payoff	
\$ 1,050,000	00295	8910				Vernon SS Loan Principal Payoff	
\$ 522,939	00295	8105				Vernon SS Loan Interest Payoff	
\$ 39,723	00295	8105				Riverside Ave Loan Interest Payoff	
\$ 968,223	00295	8910				Automall Wall Loan Principal Payment	
\$ 1,530,951	00295	8910				RCDC Loan Principal Return	
\$ 8,111,836	TOTAL						

SOURCE OF FUNDS							
AMOUNT	ACCOUNT NUMBER					Account Title/Activity Description	
	GL		FUND	JL			
	ORG KEY	OBJECT		PROJECT	ACTIVITY		
\$ 4,000,000	00110	3910				Riverside Ave Loan Principal Payoff	
\$ 1,050,000	00100	3910				Vernon SS Loan Principal Payoff	
\$ 522,939	00100	3102				Vernon SS Loan Interest Payoff	
\$ 39,723	00110	3102				Riverside Ave Loan Interest Payoff	
\$ 968,223	00110	3910				Automall Wall Loan Principal Payment	
\$ 1,530,951	00110	3910				RCDC Loan Principal Return	
\$ 8,111,836	TOTAL						


1/24/2012

Justification for Budget Adjustment:


[Signature]



**CITY OF ROSEVILLE
REQUEST FOR BUDGET ADJUSTMENT
FINANCE DEPARTMENT**

Instructions: Fill in all requested information completely and accurately. When complete, print 3 copies for distribution to (1) Council Communication; (2) Budget Department; (3) Requesting Department.

REQUESTER: Kevin Payne
DEPARTMENT: Redevelopment Agency
DATE OF PROPOSED COUNCIL ACTION: 1/30/2012

USE OF FUNDS							
AMOUNT	ACCOUNT NUMBER					Account Title/Activity Description	
	GL			JL			
	ORG KEY	OBJECT	FUND	PROJECT	ACTIVITY		
\$ 5,570,286	00273	8900				2006 Bond Proceeds	
\$ 5,570,286	TOTAL						

SOURCE OF FUNDS							
AMOUNT	ACCOUNT NUMBER					Account Title/Activity Description	
	GL			JL			
	ORG KEY	OBJECT	FUND	PROJECT	ACTIVITY		
\$ 5,570,286	00295	3900				2006 Bond Proceeds	
\$ 5,570,286	TOTAL						

Andreas Bengtson 1/24/2012

Justification for Budget Adjustment:

Kevin Payne *RK*