

OVERSIGHT BOARD RESOLUTION NUMBER OB-2013-2

A RESOLUTION OF THE OVERSIGHT BOARD FOR CITY OF SAN DIEGO REDEVELOPMENT SUCCESSOR AGENCY APPROVING (i) THE FOURTH RECOGNIZED OBLIGATION PAYMENT SCHEDULE FOR JULY THROUGH DECEMBER 2013, DESIGNATED AS ROPS 13-14A, (ii) THE SIX-MONTH ADMINISTRATIVE BUDGET OF THE SUCCESSOR AGENCY CORRESPONDING TO ROPS 13-14A, AND (iii) CERTAIN ASSOCIATED ACTIONS.

WHEREAS, the former Redevelopment Agency of the City of San Diego (Former RDA) administered the implementation of various redevelopment projects, programs, and activities within designated redevelopment project areas throughout the City of San Diego (City); and

WHEREAS, in accordance with Assembly Bill x1 26 (AB 26), the Former RDA dissolved as of February 1, 2012, at which time the City of San Diego, solely in its capacity as the designated successor agency to the Former RDA (Successor Agency), assumed the Former RDA's assets and obligations; and

WHEREAS, the Successor Agency is winding down the Former RDA's affairs in accordance with AB 26, enacted on June 28, 2011, and Assembly Bill 1484 (AB 1484), enacted on June 27, 2012 (collectively, the Dissolution Laws); and

WHEREAS, the Oversight Board has been formed to oversee certain actions and decisions of the Successor Agency in accordance with the Dissolution Laws; and

WHEREAS, the San Diego County Auditor-Controller (County Auditor), the State Controller, and the State Department of Finance (DOF) also possess certain rights and obligations under the Dissolution Laws with respect to the Successor Agency's administration of the Former RDA's operations; and

WHEREAS, pursuant to California Health and Safety Code section 34177(l), Successor Agency staff must prepare a Recognized Obligation Payment Schedule (ROPS) on a forward-looking basis for each six-month fiscal period, showing the payments to be made toward enforceable obligations and the funding source for the payments, including, without limitation, the Redevelopment Property Tax Trust Fund (RPTTF); and

WHEREAS, Successor Agency staff has prepared the proposed fourth ROPS covering the period from July 1, 2013 through December 31, 2013, also known as ROPS 13-14A under the DOF's new naming convention, based on the DOF's new preferred template first distributed to Successor Agency staff on January 22, 2013; and

WHEREAS, ROPS 13-14A consists of the Microsoft Excel multi-page spreadsheet in the DOF's new preferred template, showing proposed payments by the Successor Agency toward enforceable obligations for the ROPS 13-14A period, as well as the reconciliation of estimated versus actual payments made by the Successor Agency during the prior six-month ROPS 2 period covering July 1, 2012 through December 31, 2012, and this spreadsheet is included as Attachment A to the Staff Report accompanying this item (Staff Report); and

WHEREAS, ROPS 13-14A also consists of a document entitled "Successor Agency's Additional Explanation of Notes and Reservation of Rights" which has become necessary due to space limitations in the DOF's new preferred template and contains similar text compared to the footnotes in the ROPS for each prior six-month fiscal period, and this document is included as Attachment B to the Staff Report; and

WHEREAS, the DOF's new template for ROPS 13-14A is substantially different in format from the template previously available on the DOF's website, which had been used to prepare the final version of ROPS 3; and

WHEREAS, at the time of the DOF's transmittal of the new ROPS template, Successor Agency staff had substantially completed the draft ROPS for July through December 2013 using the previous ROPS 3 template; and

WHEREAS, since late January 2013, Successor Agency staff has worked diligently to transfer the data for hundreds of enforceable obligations from the old ROPS template to the new template, and this process has been extremely time-consuming; and

WHEREAS, as described in the Staff Report, all of the basic data has been transferred to the new ROPS template, but Successor Agency staff continues to "fine-tune" certain aspects of ROPS 13-14A, such as confirmation of the non-RPTTF funding sources (e.g., reserve balances, bond proceeds) that are proposed for payment of certain enforceable obligations, verification of items in the ROPS 2 reconciliation spreadsheet, showing estimated versus actual payments during the ROPS 2 period, and completion of the columns in ROPS 13-14A showing the commencement date and termination date of each enforceable obligation; and

WHEREAS, all contracts and agreements between the City of San Diego and the former Redevelopment Agency of the City of San Diego that are included in ROPS 13-14A were made for legitimate redevelopment purposes and will be of benefit to the taxing entities; and

WHEREAS, California Health and Safety Code section 34171(d)(1)(F) confirms that contracts necessary for the administration or operation of the Successor Agency, including, but not limited to, agreements concerning litigation expenses related to assets or obligations, settlements and judgments, and agreements related to the costs of maintaining assets prior to disposition, are enforceable obligations; and

WHEREAS, California Health and Safety Code section 34177.3(b) states that the Successor Agency may create new enforceable obligations to conduct the work of winding down

the Former RDA's operations; including hiring staff, acquiring necessary professional administrative services and legal counsel, and procuring insurance; and

WHEREAS, ROPS 13-14A includes a line item for costs, up to an aggregate maximum of \$500,000 during the applicable six-month period, that the Successor Agency may incur, above and beyond the costs estimated in specific line items in ROPS 13-14A, for management and security of properties and other assets, and unforeseen litigation and claims; and

WHEREAS, ROPS 13-14A also includes a line item for costs, up to an aggregate maximum of \$500,000 during the applicable six-month period, that the Successor Agency may incur, above and beyond the costs estimated in specific line items in ROPS 13-14A, in order to wind down the Redevelopment Agency's operations in an orderly fashion and to avoid or minimize liabilities, including, but not limited to, exposure to claims or litigation; and

WHEREAS, with respect to the two above-described line items in ROPS 13-14A, the additional costs that may be incurred by the Successor Agency are not yet identified under an existing contract with a specific payee; and

WHEREAS, California Health and Safety Code section 34177(m) requires the Successor Agency to obtain the Oversight Board's approval of ROPS 13-14A and to submit ROPS 13-14A to the DOF by March 1, 2013, and subjects both the City and the Successor Agency to specified civil penalties in the event that ROPS 13-14A is not timely submitted to the DOF; and

WHEREAS, the anticipated date for the County Auditor's semi-annual distribution of property taxes generated in the redevelopment project areas to the Successor Agency and local taxing entities with respect to ROPS 13-14A is June 3, 2013 (ROPS Distribution Date); and

WHEREAS, California Health and Safety Code section 34179(h) provides the DOF with a review period on ROPS 13-14A, during which the DOF will make a determination on the

amount of enforceable obligations and the proposed funding sources and may eliminate or modify any item on ROPS 13-14A prior to its approval; and

WHEREAS, based on California Health and Safety Code section 34177(m), the Successor Agency may, within five business days after the DOF's determination on ROPS 13-14A, request additional review by the DOF and an opportunity to meet and confer with the DOF on disputed items in ROPS 13-14A, and the DOF must notify the Successor Agency and the County Auditor regarding the outcome of its additional review at least 15 days before the ROPS Distribution Date; and

WHEREAS, California Health and Safety Code section 34182.5 enables the County Auditor to deliver written notice at least 60 days before the ROPS Distribution Date, objecting to the inclusion of any items in ROPS 13-14A that are not demonstrated to be enforceable obligations, and further enables the Oversight Board, in response to the County Auditor's objection, to refer any disputed ROPS 13-14A item to the DOF for a determination of what will be approved for inclusion in ROPS 13-14A; and

WHEREAS, California Health and Safety Code section 34177(j) requires the Successor Agency to prepare, and to submit to the Oversight Board for approval, an administrative budget for each upcoming six-month fiscal period, estimating the administrative costs to be expended during the applicable fiscal period, identifying the proposed sources of payment for such administrative costs, and identifying proposed arrangements for administrative and operations services provided by a city or other entity; and

WHEREAS, Successor Agency staff has prepared a proposed six-month Administrative and Project Management Budget for the Successor Agency covering the period of July 1, 2013

through December 31, 2013 (ROPS 13-14A Administrative Budget), a copy of which is included as Attachment C to the Staff Report; and

WHEREAS, the ROPS 13-14A Administrative Budget includes the total amount of \$3,691,751, of which \$2,126,563 is allocated to administrative costs and \$1,565,188 is allocated to project-specific costs and litigation costs, as such categories of costs are described in California Health and Safety Code section 34171(b); and

WHEREAS, the ROPS 13-14A Administrative Budget contemplates the Successor Agency's payment of funds to the City in exchange for the provision of certain services by the City and a City-owned nonprofit public benefit corporation, namely Civic San Diego, related to winding down the Former RDA's affairs; and

WHEREAS, during the meeting on February 26, 2013 in which the Oversight Board considered approval of ROPS 13-14A, Successor Agency staff proposed an increased RPTTF distribution related to line item 174 (COMM22 project) and a corresponding increase to the administrative cost allowance related to line item 466 (administrative cost) of ROPS 13-14A, as described further in the action items below; and

WHEREAS, the Oversight Board's decisions regarding approval of ROPS 13-14A and the ROPS 13-14A Administrative Budget will not become effective until after those decisions have been approved or deemed approved by the DOF in accordance with California Health and Safety Code section 34179(h), subject to the outcome of any meet-and-confer process on ROPS 13-14A initiated by Successor Agency staff with the DOF.

NOW, THEREFORE, BE IT RESOLVED by the Oversight Board as follows:

1. ROPS 13-14A is hereby approved, subject to action item 6 below.

2. Successor Agency staff is authorized, with the approval of the Oversight Board's legal counsel, to make any necessary adjustments to ROPS 13-14A due to delays associated with the DOF's recent provision of a new preferred template for the ROPS, provided that the substantive content of ROPS 13-14A remains substantially the same.

3. The ROPS 13-14A Administrative Budget is hereby approved, subject to action item 6 below.

4. The Successor Agency is authorized to make payments in accordance with the ROPS 13-14A Administrative Budget, utilizing the funding sources identified therein.

5. The Successor Agency is authorized to enter into services contracts, management contracts and similar contracts, and amendments to existing contracts of that nature, for items that are budgeted in the approved ROPS 13-14A, consistent with California Health and Safety Code sections 34171(d)(1)(F) and 34177.3(b).

6. Successor Agency staff is authorized to amend the submitted ROPS 13-14A by (a) increasing the payments due during the ROPS 13-14A period for line item 174 – COMM22 project by \$1,152,280.86, to be funded from RPTTF, and (b) making a corresponding increase in the 3% administrative cost allowance by \$34,569 (rounded to the nearest dollar). As a result of these amendments, the total requested RPTTF distribution for the payment of enforceable obligations during the ROPS 13-14A period is \$51,185,124 (also rounded), and the total requested 3% administrative cost allowance for ROPS 13-14A is \$1,535,554 (also rounded).

PASSED AND ADOPTED by the Oversight Board at a duly noticed meeting of the Oversight Board held on February 26, 2013. The Oversight Board approved this Resolution by a 7-0 vote, except that three Oversight Board members (including Chair Nelson and Board Members Stapleton and Davies) abstained from the vote only as to line items 219, 310, and 320,

which show San Diego Gas & Electric and/or Sempra Energy as the payee of, or involved party in, an enforceable obligation.



Chair, Oversight Board