

REQUEST FOR COUNTY OF CONTRA COSTA COUNTYWIDE OVERSIGHT BOARD ACTION



PREPARED BY: M. Rodriguez

DATE OF MEETING: November 8, 2020

DATE: November 4, 2020

**SUBJECT: RESOLUTION OF THE COUNTYWIDE OVERSIGHT BOARD FOR THE
COUNTY OF CONTRA COSTA APPROVING THE LOAN AND REPAYMENT
AGREEMENT BETWEEN THE CITY OF SAN PABLO AND THE SAN
PABLO LOCAL SUCCESSOR AGENCY**

RECOMMENDATION

Adopt a resolution of the Countywide Oversight Board for the County of Contra Costa approving the Loan and Repayment Agreement ("Agreement") between the City of San Pablo and the San Pablo Local Successor Agency ("LSA") pertaining to the loan of funds from the City to the LSA for the payment of Enforceable Obligations.

BACKGROUND

The San Pablo LSA is responsible for winding down the activities of the former Redevelopment Agency of the City of San Pablo (the "former Redevelopment Agency") pursuant to the requirements of Part 1.85 of Division 24 of the California Health and Safety Code (Health and Safety Code Section 34170 *et seq.*; the "Dissolution Act").

ROPS Process

Section 34177(o) of the Dissolution Act requires the LSA to adopt a ROPS for each fiscal year, which is presented to the Countywide Oversight Board for the County of Contra Costa (the "Oversight Board"). The ROPS functions as the LSA's claim for tax increment, and general authorization, to pay "Enforceable Obligations" (as defined in the Dissolution Act). The ROPS lists the outstanding Enforceable Obligations of the former Redevelopment Agency and the funding source for each Enforceable Obligation. The LSA may only pay -- and will only be allocated tax increment by the County Auditor-Controller for payments of -- Enforceable Obligations listed on the ROPS. Enforceable Obligations that will be funded by other sources, such as existing fund balances, must also be listed on the ROPS.

Following approval of a ROPS by the Oversight Board, it is presented to the State Department of Finance ("DOF") for approval. DOF reviews the ROPS and issues its determination concerning the validity of Enforceable Obligations and the amounts and funding sources for each by April 15 each year.

City of San Pablo ROPS

Over the past several fiscal years, DOF's determinations concerning the ROPS presented by the San Pablo LSA have resulted in a reduction in revenues to the San Pablo LSA of

approximately \$4,000,000.00 and the need to borrow funds from the City in order to pay Enforceable Obligations. Staff of the San Pablo LSA believe that the reductions are the result of miscommunications and misunderstandings between the San Pablo LSA and DOF, and that a reconciliation will reflect the amount that should properly have been distributed to the San Pablo LSA. That reconciliation process is occurring now between the San Pablo LSA staff and DOF staff, and the final determination will be made in connection with DOF's approval of the Loan and Repayment Agreement described below.

City/LSA Loan and Repayment Agreement

Section 34173(h) of the Dissolution Act provides that the City of San Pablo (the "City") may loan funds to the LSA for Enforceable Obligations if the LSA has insufficient funds to pay those Enforceable Obligations. The loans are subject to approval of the Oversight Board and DOF.

Within the last few fiscal years, it has been necessary for the City to advance funds to pay Enforceable Obligations of the San Pablo LSA in the amount of \$1,996,862.16 (the "Prior Advances") that have not yet been repaid to the City. The San Pablo LSA now has insufficient funds to pay Enforceable Obligations due during the 2020-21 fiscal year. As a result, there is a critical need for a further advance from the City in an amount up to, but not to exceed, \$2,100,000.00 (the "2020-21 Advance"). Staff have determined that this is the maximum amount that will be necessary. As indicated earlier in this staff report, the final amount will be determined through the reconciliation process with, and approval by, DOF.

The City and the San Pablo LSA desire to enter into a Loan and Repayment Agreement for the following purposes: (1) to memorialize and authorize the specific advances from the City to the San Pablo LSA to pay Enforceable Obligations that could not otherwise be paid by the San Pablo LSA (the Prior Advances and the 2020-21 Advance); and (2) to ensure that the funds loaned by the City representing the Prior Advances and the 2020-21 Advance shall be repaid by the San Pablo LSA as an Enforceable Obligation.

The Loan and Repayment Agreement must be approved by the Oversight Board and DOF. Repayment of the Prior Advances and the 2020-21 Advance (potentially a total of \$4,096,862.16, subject to reconciliation) is proposed to occur in fiscal year 2021-22 in accordance with the approved 2021-22 ROPS. Total tax increment funds available for distribution to pay Enforceable Obligations of the San Pablo LSA are believed to be sufficient to absorb that entire repayment. However, should that not be the case, the repayment obligation would be carried forward to one or more subsequent ROPS until fully repaid.

In the event the Loan and Repayment Agreement is not approved by the Oversight Board and DOF, it will automatically terminate.

Attachments:

Exhibit A Oversight Board Resolution 2020/32, with Loan and Repayment Agreement attached