

**Oversight Board Meeting
of the Successor Agency City of Foster City**

REGULAR MEETING

April 10, 2013; 8:00 a.m.

Location:
Council Chambers – Conference Room
City of Foster City
620 Foster City Blvd
Foster City, CA

1. Call to Order
2. Public Comment
 - a. *This is an opportunity for the public to address the Oversight Board on any item that is not on the agenda. Time for public comment may be limited at the discretion of the Chair.*
3. Communications
4. Minute Approval
 - a. February 13, 2013
5. Reports
 - a. Verbal Update on DOF Review and Approval of the Due Diligence Review – the Independent Accountants' Report on Applying Agreed-Upon Procedures pursuant to AB 1484 (All Other Funds) as of June 30, 2012
 - b. Update on DOF Approval of ROPS 13-14A (July to December 2013)
6. Resolutions for Adoption
 - a. A Resolution Approving an Agreement Pursuant to Health and Safety Code Section 34181(e) with the San Mateo Union High School District
7. Old Business
8. New Business
9. Future Agenda Items
 - a. A Resolution Amending the ByLaws of the Oversight Board for Semi-Annual Meetings (September 2013)

- b. Selection of Officers (September 2013)
- c. Approval of an Administrative Budget for the Period January to June 2014 (September 2013 – due October 1)
- d. Approval of Recognized Obligation Payment Schedule for the Period January to June 2014 (September 2013 – due October 1)

10. Member Statements and Requests

11. Adjournment

Any attendee requiring special accommodations should contact Steve Toler, Assistant City Manager, at 650-286-3214 or SToler@fostercity.org at least 24 hours in advance of the meeting.

Note: Any writings or documents provided to a majority of the Oversight Board regarding any item on this agenda after the agenda packet was distributed will be made available for public inspection at the office of the Assistant City Manager located at Foster City City Hall, 610 Foster City Blvd., Foster City, during normal business hours and also made available in a marked binder at current and future meetings.

**Oversight Board
Successor Agency City of Foster City**

Minutes

Meeting Date:
February 13, 2013, 8:00 a.m.

Foster City Council Chambers Conference Room
620 Foster City Blvd., Foster City, CA 94404

Members Present: **Chair Dick W. Bennett, Members Tina Acree, Jim Keller,
Linda Koelling, Elizabeth McManus**

Members Absent: **Vice-Chair Mary McMillan, Member Rick Wykoff**

Staff Present: **Steve Toler (Assistant City Manager / Secretary), Jim Hardy
(City Manager), Curtis Banks (Community Development
Director), Lin-Lin Cheng (Finance Director)**

1. Call to Order – **Meeting called to order at 8:02 a.m.**
2. Public Comment - **None**
3. Communications – **None other than in item 5b below**
4. Minute Approval
 - a. January 9, 2013 – **Motion by Member Koelling, Seconded by Member Acree to approve the minutes as submitted. Motion passed 5-0-2 (Members McMillan and Wykoff absent on this and all other subsequent actions below)**
5. Reports
 - a. Verbal Update on DOF Review and Approval of the Previous Due Diligence Review – the Independent Accountants' Report on Applying Agreed-Upon Procedures pursuant to AB 1484 (All Other Funds) as of June 30, 2012
 - i. **Mr. Toler informed the Board that the DOF requested clarification of some items and requested additional information and analyses (e.g., chart of accounts, trial balances, cash flow projections of future income streams, etc) to which staff responded on February 6. Staff is awaiting the DOF's findings on the DDR as submitted based on the information provided. DOF has until April 1, 2013 to render its final findings. If there are**

any rejections, staff will request the Meet & Confer process.

b. Update on Discussions with Developers of Marlin Cove and Hillsdale/Gull Project Areas regarding Subsidies and Post-Dissolution Impacts, including a Letter from Manatt, Phelps & Phillips, LLP re 2012-2013 Estimated Tax Increment Revenue, Former Foster City RDA #13198 – Marlin Cove

i. **Mssrs. Ramiza and Labadie were unavailable at the meeting today, but Mr. Toler provided an update on their behalf. Mr. Ramiza had conversations with both attorneys of the Marlin Cove and Hillsdale/Gull developers in regards to the issues surrounding the computation of subsidies payables to both developers under the terms of their respective DDAs. Clayton Gantz, the attorney representing the Marlin Cove developer (MH Podell) submitted a letter to Mr. Toler as included in the Agenda Packet. No other formal communications were received from either developer or the other attorneys, however the sentiment expressed to Mr. Ramiza in the phone calls was the expectation that the Successor Agency would fulfill the financial obligations under the respective DDAs that were in place prior to the dissolution of RDAs per ABx1 26 and AB 1484. In other words, the developers expected to “remain whole” in terms of the subsidy calculation. Mr. Toler indicated that the recommendations made in the Administrative Budget (item 6b) and the ROPS (item 6c) would make those developers whole and throughout the remaining term of their agreements barring any unforeseen additional legislation or significant reductions in assessed valuation of the underlying properties. Board members expressed their desire to maintain the developers whole to the fullest extent possible and would render their decisions based on the actions taken on the items below.**

6. Resolutions for Adoption

- a. A Resolution Approving a Passthrough Implementation Agreement with the San Mateo Union High School District
- i. **Mr. Toler presented the staff report, and handed out an amendment requested by SMUHSD staff and legal counsel received on February 12, 2013 to indicate that of the total payment of \$1,508,000, that “47% shall be**

allocated and paid into the District's General Fund and 57% shall be allocated and paid into the District's Building Fund." This clause was added to mirror the current allocation provisions of redevelopment passthrough funds in the California Education Code. Mr. Toler indicated on behalf of legal counsel that both Mr. Ramiza and Mr. Labadie reviewed and were acceptable to the changes in regards to form.

- ii. **Motion by Member Koelling, Seconded by Member Keller, to adopt Resolution #2013-002 as submitted with the amendments to the Passthrough Implementation Agreement as requested by SMUHSD as handed out at the meeting. Motion passed 5-0-2.**
- b. **A Resolution Approving an Administrative Budget for the Period July 1 to December 31, 2013**
 - i. **Mr. Toler presented the staff report, noting that the recommended administrative budget amount of \$60,500 would be presented on the ROPS as applicable to "All Project Areas" rather than broken down by project area to mirror the methodology used by the County Controller to allocate those funds from RPTTF and in the interest of ensuring that both the Marlin Cove and Hillsdale/Gull developers were "made whole" in regards to the full subsidy available to them respectively prior to dissolution. The reflection of the administrative costs to "All Project Areas" will allow the Successor Agency to fully utilize all available tax increment in supporting the wind down of the Successor Agency and allowing each developer to "remain whole" to the fullest extent possible. The year-to-date analysis from July to December 2012, and answers were provided by staff to Board questions regarding the trends of those analyses and their implications in the proposed administrative budget.**
 - ii. **Motion by Member McManus, Seconded by Member Koelling, to adopting Resolution #2013-003 approving the Administrative Budget for July 1 to December 31, 2013 in the amount of \$60,500. Motion passed 5-0-2.**
- c. **A Resolution Approving the Recognized Obligation Payment Schedule for the Period July 1 to December 31, 2013**

- i. Mr. Toler presented the staff report. Each item listed on the ROPS (items 1-10) were discussed and reviewed by the Board. In particular, the recommended amounts for items #3 (affordable housing subsidy for Marlin Cove), #6 (affordable housing subsidy for Hillsdale/Gull) and #9 (administrative cost allowance applicable to All Project Areas), allow for the developers of the Marlin Cove and Hillsdale/Gull projects to “remain whole” in terms of the subsidy payments that would have otherwise been paid prior to the dissolution of the redevelopment agency. This was identified as an important aspect of the ROPS as submitted. Furthermore, item #7 was highlighted that allows the Successor Agency to be made whole in terms of funding the administrative costs that were unfunded from the January to June 2013 ROPS period based on the County Controller’s final RPTTF distribution.
- ii. Motion by Member Acree, Seconded by Member Koelling, to adopting Resolution #2013-004 approving the ROPS(13-14A) for the period July 1 to December 31, 2013 as submitted. Motion passed 5-0-2.
- iii. Based upon the Board’s actions, discussion ensued regarding formal notification to the respective developers. Based upon discussion, Mr. Toler indicated that he would instruct Mr. Ramiza to reach out to the developers verbally to discuss the Board’s actions in the next week and that, subject to the DOF’s decisions approving the ROPS, would then formally respond to Mr. Gantz’s letter (item 5b) accordingly.

7. Old Business – **None**

8. New Business – **None**

9. Future Agenda Items

- a. Actions Regarding Impact of ABx1 26 and AB 1484 Upon Existing Agreements with the Developers of the Marlin Cove and Hillsdale/Gull Project Areas (TBD if necessary) – **It was determined that this item may not be necessary subject to DOF approval of the ROPS as approved by the Board.**
- b. A Resolution Amending the ByLaws of the Oversight Board for Semi-Annual Meetings (September 2013 or sooner if another agenda item requires action) – **Chair Bennett will work with Staff**

on drafting amendments to the ByLaws as necessary in anticipation of the next meeting.

- c. Approval of an Administrative Budget for the Period January to June 2014 (September 2013 – due October 1)
- d. Approval of Recognized Obligation Payment Schedule for the Period January to June 2014 (September 2013 – due October 1)

10. Member Statements and Requests

- i. **Chair Bennett and Member Koelling expressed gratitude to Successor Agency staff for the level of thoroughness and attention to detail in the submittal of information for Board consideration.**
- ii. **Mr. Toler extended thanks and appreciation to Finance Director Lin-Lin Cheng for her steadfast, detailed work in handling the financial affairs of the Successor Agency, the DDR audits, and her continued communications with the County; and to City Manager Hardy for his leadership and attention to detail in the wind down of the affairs of the Successor Agency.**
- iii. **Mr. Toler informed the Board that due to the efforts of Ms. Cheng and Mr. Hardy, the Successor Agency was successful at convincing the County Controller to modify its intended methodology allocating administrative costs to various successor agencies that use a combination of direct allocation of costs as well as a prorata distribution of overhead costs based on a % of tax increment (RPTTF) collected by each agency. This action will provide for additional funds than would otherwise had been made available to the developers and the Successor Agency to systematically wind down the affairs of the former Agency.**
- iv. **Mr. Hardy acknowledged the efforts of Deputy Controller Shirley Tourel in working with Successor Agency staff to administer the wind down of the redevelopment agencies in the County.**

11. Adjournment – **Meeting adjourned at 8:53 a.m.**



REVISED

April 3, 2013

Mr. Steve Toler, Assistant City Manager
City of Foster City
610 Foster City Blvd.
Foster City, CA 94404

Dear Mr. Toler:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Foster City Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14A) to the California Department of Finance (Finance) on February 13, 2013 for the period of July through December 2013. Finance has completed its review of your ROPS 13-14A, which may have included obtaining clarification for various items.

Based on our review, we are approving all of the items listed on your ROPS 13-14A at this time. The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is \$242,940 as summarized on next page:

Approved RPTTF Distribution Amount	
For the period of July through December 2013	
Total RPTTF funding requested for obligations	\$ 182,440
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost	60,500
Minus: ROPS II prior period adjustment	-
Total RPTTF approved for distribution:	\$ 242,940

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2012 period. The amount of RPTTF approved in the above table includes the prior period adjustment that was self-reported by the Agency. HSC Section 34186 (a) also specifies that the prior period adjustments self-reported by successor agencies are subject to audit by the county auditor-controller (CAC) and the State Controller. Any proposed CAC adjustments were not received in time for inclusion in this letter. Therefore, the amount of RPTTF approved in the above table includes only the prior period adjustment that was self-reported by the Agency.

Please refer to the ROPS 13-14A schedule that was used to calculate the approved RPTTF amount:

[http://www.dof.ca.gov/redevelopment/ROPS/ROPS 13-14A Forms by Successor Agency/](http://www.dof.ca.gov/redevelopment/ROPS/ROPS%2013-14A%20Forms%20by%20Successor%20Agency/).

This is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2013. Finance's determination is effective for this time period only and should not be conclusively relied upon for future periods. All items listed on a future ROPS are subject to a subsequent review and may be denied even if it was or was not denied on this ROPS or a preceding ROPS. The only exception is for those items that have received a Final and Conclusive determination from Finance pursuant to HSC 34177.5 (i). Finance's review of items that have received a Final and Conclusive determination is limited to confirming the scheduled payments as required by the obligation.

The amount available from the RPTTF is the same as the amount of property tax increment that was available prior to enactment of ABx1 26 and AB 1484. This amount is not and never was an unlimited funding source. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax is limited to the amount of funding available to the successor agency in the RPTTF.

To the extent proceeds from bonds issued after December 31, 2010 exist and are not encumbered by an enforceable obligation pursuant to 34171 (d), HSC section 34191.4 (c)(2)(B) requires these proceeds be used to defease the bonds or to purchase those same outstanding bonds on the open market for cancellation.

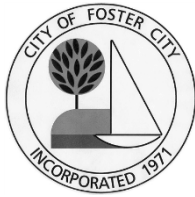
Please direct inquiries to Wendy Griffe, Supervisor or Jenny DeAngelis, Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Ms. Lin-Lin Cheng, Finance Director, City of Foster City
Ms. Shirley Tourel, Auditor, County of San Mateo
California State Controller's Office



Oversight Board of the Successor Agency City of Foster City

Date: April 10, 2013
To: Chair and Members of the Oversight Board
Via: James C. Hardy, City Manager
From: Steve Toler, Assistant City Manager
Subject: Agreement with San Mateo Union High School District (SMUHSD) to
Liquidate Obligation Pursuant to Health & Safety Code Section 34181(3)

RECOMMENDATION

It is recommended that the Oversight Board approve the attached resolution approving an agreement pursuant to Health and Safety Code Section 34181(e) ("Agreement") with SMUHSD to restate and reduce the remaining obligations under the Stipulated Judgment and Mutual Release Between the Community Development Agency of the City of Foster City and the San Mateo Union High School District Pursuant to Health and Safety Code Section 33401 dated June 27th, 1991 ("1991 Agreement").

EXECUTIVE SUMMARY

At its February 13, 2013 Regular Meeting, the Oversight Board approved Resolution 2013-002 that approved a Passthrough Implementation Agreement between the Successor Agency and SMUHSD that would call for the payout of the remaining liability under the 1991 Agreement totaling \$1,508,000. The Department of Finance ("DOF") initiated a review of the Oversight Board's actions in accordance with State law and issued a letter on March 29, 2013 that returned the Oversight Board's actions for reconsideration, claiming that there was not a finding that the agreement benefits the taxing entities by either reducing the liability or increasing future revenues to taxing entities.

Staff and legal counsel of both the Successor Agency, Oversight Board, and SMUHSD discussed the DOF's findings and have negotiated the draft Agreement as enclosed; they believe that this instrument, subject to the making of findings in authorizing resolutions, addresses DOF's articulated concerns. The Agreement calls

for a liquidation amount totaling \$1,484,000, which is discounted based upon prevailing investment return rates for securities consistent with SMUHSD's Investment Policies. The net reduction of \$24,000 in the liability will provide immediate financial benefit to taxing entities, and will reduce the administrative cost allowance of the Successor Agency in future periods by virtue of the reduction in administering the semi-annual payments to SMUHSD. The disbursement of the liquidation amount of \$1,484,000 will also benefit SMUHSD, which is a taxing agency.

The DOF approved the Recognized Obligation Payment Schedule (ROPS) for the July 1 to December 31, 2013 ROPS period which included the \$1,508,000 obligation, however by virtue of "rejecting" the Passthrough Implementation Agreement for the reasons identified by DOF, the payment of that liability was in effect disallowed. DOF has informed Successor Agency staff that the ROPS does not require amendment in order to support the revised Agreement.

BACKGROUND and ANALYSIS

The former Agency and SMUHSD entered into the 1991 Agreement to settle litigation arising out of the formation of the former Agency in 1981. The 1991 Agreement called for the former Agency to remit tax increment collected from the Project Area One project area in annual installments per the terms of the 1991 Agreement. Tax increment sufficient to liquidate the remaining obligations was collected upon the Project One Area reaching its tax increment cap in April 2011, and was deposited into a Cooperative Services Agreement fund based on an agreement between the former Agency and the City of Foster City.

When ABx1 26 was enacted, these obligations were required to be reported on the ROPS and approved by the Oversight Board and California Department of Finance ("DOF"). The obligation has been approved by both bodies in previous ROPS periods.

The Oversight Board expressed interest in expediting the winding down of the former Community Development Agency through payment of the enforceable obligations of the Successor Agency where possible. The funds necessary to liquidate the obligations under the 1991 Agreement are on deposit with the Successor Agency. Successor Agency staff met with SMUHSD staff to negotiate the terms of an Implementation Agreement in order to facilitate this early liquidation. That Implementation Agreement was brought to the Oversight Board for approval on February 13, 2013, and was approved via Resolution 2013-002.

ANALYSIS

DOF Manager Zach Stacy contacted Assistant City Manager Steve Toler on March 28 and 29, 2013 to discuss DOF's pending rejection of Resolution 2013-002. In their discussion, the DOF indicated that the Oversight Board's resolution was lacking demonstration of how the expedited liquidation of the liability from the 1991 Agreement would benefit the taxing entities (and, accordingly, the State of California from the proportionate need to backfill school district revenues, a key point in the enactment of ABx1 26 and AB1484). However, the DOF indicated that the ROPS would be approved as submitted, which included the \$1.5 million liquidating payment, in order to provide the Oversight Board an opportunity to reconsider its action in an attempt to reduce the liability of the Successor Agency and, thus, allow for the redistribution of excess reserves to the taxing entities.

Health & Safety Code §34181(e) states that the Oversight Board may direct the Successor Agency to (**bold added for emphasis**):

*“Determine whether any contracts, agreements, or other arrangements between the dissolved redevelopment agency and any private parties should be terminated or **renegotiated to reduce liabilities and increase net revenues to the taxing entities**, and present proposed termination or amendment agreements to the oversight board for its approval. **The board may approve any amendments to or early termination of those agreements if it finds that amendments or early termination would be in the best interests of the taxing entities.**”*

Mr. Toler discussed the DOF's action with SMUHSD Deputy Superintendent Elizabeth McManus. Legal counsel for SMUHSD, as well as Successor Agency Counsel Jerry Ramiza and Oversight Board Counsel Craig Labadie, were consulted. Based upon those conversations, it was recommended that the Successor Agency and SMUHSD approve a revised Passthrough Settlement Agreement with the following provisions:

- Discounted Liability – the liability to SMUHSD based on the schedule in the 1991 Agreement totals \$1,508,000. This amount has been discounted using a discount rate of 0.80%, which is equivalent to a 3- to 4-year Federal Home Loan Bank note, and is representative of the anticipated investment return of SMUHSD. The present value of the future payments under the 1991 Agreement, using the 0.80% discount rate, equates to a total liability of \$1,484,000.
- Payment – payment of the full liability would be made on or before December 31, 2013.

- Benefit to Taxing Entities – in order to comply with H&S §34181(e), the discounted liability has the net impact of reducing the liability by \$24,000. Since the full \$1,508,000 in funds is held by the Successor Agency, the excess funds would be reverted to the County Controller as part of the semi-annual ROPS clean-up process and would flow back to the taxing entities. Moreover, the administrative cost allowance approved by the Oversight Board on a semi-annual basis includes a small amount of time dedicated for Successor Agency staff to process the semi-annual payments to SMUHSD. The reduction of that time allocation as part of the administrative budget will result in additional RPTTF (tax increment) funds that will be available to taxing entities in future ROPS periods. As such, there is significant financial benefit to the other taxing entities by virtue of the discounted liability negotiated as part of this agreement. In addition, SMUHSD, which is a taxing agency, will also benefit by virtue of use of \$1,484,000 now.

The attached Agreement was prepared in consultation with the Successor Agency's legal counsel, Jerry Ramiza of Burke Williams & Sorensen LLP, Craig Labadie, the Oversight Board's legal counsel, and SMUHSD legal counsel.

Subject to Oversight Board approval of the attached resolution, the Board actions will be sent to DOF. If the DOF does not reject or further return the Board's actions for reconsideration, the Successor Agency will make payment to SMUHSD on or before December 31, 2013.

Attachments

- March 29, 2013 Letter from Department of Finance – “Objection of Oversight Board Action”, Resolution 2013-002
- Analysis – Calculation of Discounted SMUHSD Prepayment with Existing Funds under Cooperative Services Agreement Fund
- Resolution
- Passthrough Settlement Agreement

March 29, 2013

Mr. Steve Toler, Assistant City Manager
City of Foster City
610 Foster City Blvd.
Foster City, CA 94404

Dear Mr. Toler:

Subject: Objection of Oversight Board Action

The City of Foster City Successor Agency (Agency) notified the California Department of Finance (Finance) of its February 13, 2013 oversight board (OB) resolution on February 13, 2013. Pursuant to Health and Safety Code (HSC) section 34179 (h), Finance has completed its review of the OB action.

Based on our review and application of the law, the Agency's OB Resolution 2013-002 related to Successor Agency City of Foster City approving a Pass-through Implementation Agreement with the San Mateo Union High School District (SMUHSD), is not permitted. Specifically:

- HSC 34163 (b) states as of June 28, 2011, a redevelopment agency is prohibited from entering into contracts with any entity for any purpose. HSC section 34173 (b) states that all powers of the former RDA are vested in the Successor Agency except those that are repealed, restricted, or denied pursuant to AB 1484. Therefore, the Agency is not authorized to enter into the Pass-through Implementation Agreement.
- While OB Resolution 2013-002 does specifically amend the 1991 Stipulated Judgment, HSC section 34163 (c) states as of June 28, 2011, an agency is prohibited from amending or modifying agreements, obligations, or contracts with any entity for any purpose.
- Pursuant to HSC section 34181(e), the oversight board (OB) should direct the Agency to determine if an agreement should be terminated or renegotiated in order to reduce liabilities or increase net revenues to the taxing entities. The OB may approve the Agency's proposed termination or renegotiation of an agreement if the OB makes a finding that amendments or early termination would be in the best interest of the taxing entities.


The proposed Pass-through Implementation Agreement contemplates repayment of the entire outstanding balance owed to SMUHSD. Therefore, it does not reduce liabilities or increase net revenues to the taxing entities. In addition, the OB does not make a finding

that the Pass-through Implementation Agreement is in the best interest of the taxing entities.

Therefore, Finance is returning OB Resolution 2012-12-1030 to the OB for reconsideration.

Please direct inquiries to Wendy Griffe, Supervisor, or Jenny DeAngelis, Lead Analyst at (916) 445-1546.

Sincerely,

A handwritten signature in black ink, appearing to read 'Steve Szalay', with a long horizontal stroke extending to the left.

STEVE SZALAY
Local Government Consultant

cc: Ms. Lin-Lin Cheng, Finance Director, City of Foster City
Mr. Bob Adler, Auditor-Controller, County of San Mateo
Ms. Shirley Tourel, Auditor, County of San Mateo
California State Controller's Office

Calculation of Discounted SMUHSD Prepayment with Existing Funds under Cooperative Services Agreement Fund

Discount Rate 0.80% Based on 3- to 4-year FHLB Note as of March 2013

Fiscal Year of Payment	Payment under		
	Stipulated Judgment	Discounted Payout	
FY 2013-2014	\$493,000.00	\$489,087.30	
FY 2014-2015	\$503,000.00	\$495,047.56	
FY 2015-2016	\$512,000.00	\$499,906.02	
	<u>\$1,508,000.00</u>	<u>\$1,484,040.88</u>	<u>\$23,959.12</u>
say		\$1,484,000.00	\$24,000.00

RESOLUTION NO. _____

A RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY CITY OF FOSTER CITY APPROVING AN AGREEMENT PURSUANT TO HEALTH AND SAFETY CODE SECTION 34181(e) WITH THE SAN MATEO UNION HIGH SCHOOL DISTRICT

SUCCESSOR AGENCY CITY OF FOSTER CITY

WHEREAS, the “Stipulated Judgment and Mutual Release Between the Community Development Agency of the City of Foster City and the San Mateo Union High School District Pursuant to Health and Safety Code Section 33401” dated June 27th, 1991 (“1991 Agreement”) was entered into by the parties in settlement of litigation arising out of the formation of the former Agency; and,

WHEREAS, the 1991 Agreement provided for the Community Development Agency (“former Agency”) to make annual payments of tax increment to the San Mateo Union High School District (“District”) in amounts provided in the 1991 Agreement; and,

WHEREAS, the obligations under the 1991 Agreement have been incorporated into the Recognized Obligation Payment Schedules (ROPS) since the dissolution of the former Agency in accordance with ABx1 26 and AB 1484 and have been approved by the California Department of Finance as enforceable obligations; and,

WHEREAS, in the spirit of ABx1 26, the Oversight Board wishes to expedite the winding down of the former Agency’s affairs, including the wind down of the obligations under the 1991 Agreement; and,

WHEREAS, Health & Safety Code Section 34181(e) provides that the Oversight Board has the authority to cause the Successor Agency to renegotiate existing agreements to reduce liabilities and increase net revenues to taxing entities, and to approve such amendments or early terminations of agreements that would be in the best interests of the taxing entities; and,

WHEREAS, the remaining obligation owed to District totals \$1,508,000 and for which funds are already on deposit with the Successor Agency; and,

WHEREAS, an Agreement Pursuant to Health and Safety Code Section 34183(e) has been developed to facilitate the liquidation of this obligation; and,

WHEREAS, the obligation has been discounted based upon a 0.80% discounted rate that is equivalent to prevailing market rates of investment securities consistent with the District's investment policies; and,

WHEREAS, the discounted obligation total \$1,484,000, which provides a financial benefit to taxing entities in the amount of \$24,000; and,

WHEREAS, taxing entities will be further benefitted through the expedited liquidation of this obligation through a reduction in administrative cost allowance in future ROPS periods based upon a reduction in Successor Agency staff time in processing the semi-annual payments under the 1991 Agreement; and,

WHEREAS, the Department of Finance has approved the ROPS for the July 1 to December 31, 2013 period which includes the full liability of \$1,508,000.

NOW, THEREFORE, BE IT RESOLVED by the Oversight Board of the Successor Agency City of Foster City that

1. The Oversight Board finds that the Agreement, attached hereto and incorporated herein, is in the best interests of taxing entities. The Agreement will provide a reduced liability of \$1,484,000, which shall provide \$24,000 in excess reserves on the books of the Successor Agency that will be redistributed to taxing entities upon closeout of the ROPS 13-14A period, will benefit the District, and will reduce future administrative cost allowances which will yield additional RPTTF revenues that may be redistributed to taxing entities in future ROPS periods.
2. The Agreement is hereby approved.

PASSED AND ADOPTED as a resolution of the Oversight Board of the Successor Agency City of Foster City at the Regular Meeting held on the 10th day of April, 2013 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

DICK W. BENNETT, CHAIRPERSON

ATTEST:

STEVE TOLER, SECRETARY

AGREEMENT PURSUANT TO HEALTH AND SAFETY CODE SECTION 34183(e)

This Agreement Pursuant to Health and Safety Code Section 34183(e) (“**Agreement**”) is entered into as of the ___ day of _____, 2013, (“**Effective Date**”) by and between the Successor Agency City of Foster City (“**Successor Agency**”) and the San Mateo Union High School District (“**District**”).

RECITALS

A. On November 23, 1981, pursuant to authority granted by Health and Safety Code Section 33401, the Community Development Agency of the City of Foster City (“**Community Development Agency**”) and the District entered into an agreement entitled “Agreement Between the Community Development Agency of the City of Foster City and the San Mateo Union High School District Pursuant to Health and Safety Code Section 33401” (“**1981 Agreement**”).

B. The Community Development Agency and the District subsequently entered into that certain “Stipulated Judgment and Mutual Release Between the Community Development Agency of the City of Foster City and the San Mateo Union High School District Pursuant to Health and Safety Code Section 33401” dated June 27th, 1991 (“**1991 Agreement**”) in settlement of litigation arising out of the 1981 Agreement.

C. The 1991 Agreement provided for the Community Development Agency to make annual payments of tax increment to the District in amounts provided in the 1991 Agreement.

D. In accordance with AB 1X 26 (as amended by a decision filed by the California Supreme Court on December 29, 2011) (“**Dissolution Act**”), the Community Development Agency was dissolved, effective February 1, 2012, and the City Council of the City of Foster City determined that the City would serve as the successor agency to the former Community Development Agency.

E. The Dissolution Act, pursuant to Health and Safety Code Section 34177, tasks each successor agency with the responsibility, among other things, for winding down the dissolved redevelopment agency’s affairs and continuing to meet the former redevelopment agency’s enforceable obligations, as directed by an oversight board established pursuant to Health and Safety Code Section 34179 (“**Oversight Board**”).

F. Since the Community Development Agency was dissolved, the Successor Agency has continued to seek and obtain Oversight Board and Department of Finance approval for payments to the District as enforceable obligations required under the 1991 Agreement.

G. Health and Safety Code Section 34181(e) authorizes a Successor Agency, at the direction of and with the approval of its Oversight Board, to terminate or renegotiate any agreements entered into by the former redevelopment agency to reduce liabilities and increase net revenues to the taxing entities, provided that the Oversight Board finds that amendment or early termination of the agreements would be in the best interests of the taxing entities.

H. This Agreement benefits taxing agencies both by reducing liabilities of the Successor Agency and by increasing net revenues to taxing agencies.

I. In order to expedite the winding down of the former Community Development Agency's affairs and as hereinabove set forth, the parties desire to enter into this Agreement to provide for the Successor Agency, subject to prior Oversight Board and Department of Finance approval and in full satisfaction of the Successor Agency's obligations under the 1991 Agreement, to pay to the District from Successor Agency reserves the remaining amount owed under the 1991 Agreement at a discounted rate based upon prevailing investment return rates of securities consistent with the District's Investment Policies, that reduces the Successor Agency's liability, and provides increased revenues to taxing entities through the distribution of funds held by the Successor Agency in excess of the reduced liability and the reduction of future administrative cost allowances that would otherwise be incurred by the Successor Agency to administer the provisions of the 1991 Agreement.

A G R E E M E N T

Section 1. Incorporation of Recitals. Each of the Recitals set forth above is incorporated herein by this reference.

Section 2. Payment. The Successor Agency shall, prior to December 31, 2013 and subject to recognition and allowance of such payment by the Oversight Board and Department of Finance on the approved Recognized Obligation Payment Schedule for the July 2013 through December 2013 period, pay to the District from tax increment reserves of the former Community Development Agency the amount of One Million Four Hundred Eighty Four Thousand Dollars (\$1,484,000.00), of which forty-three percent (43%) shall be allocated and paid into the District's General Fund and fifty-seven percent (57%) shall be allocated and paid into the District's Building Fund.

Section 3. Full Satisfaction. The District acknowledges and agrees that the Successor Agency's payment described in Section 2 above shall be in full and complete satisfaction of any and all remaining obligations of the Successor Agency under the 1991 Agreement, which shall be deemed terminated upon payment of the amount due under Section 2 of this Agreement. The District and the Successor Agency agree to treat the full satisfaction of payments provided hereunder to the District as satisfaction of the 1991 Agreement.

Section 4. Governing Law; Venue. This Agreement shall be construed, and the rights and obligations of the parties hereunder determined, in accordance with the laws of the State of California, without regard to the principles of such laws respecting conflicts of laws. Any action to enforce or interpret this Agreement shall be filed in the Superior Court of San Mateo County, California.

Section 5. Headings. The headings of the articles and sections contained in this Agreement are inserted for convenience only and shall not affect the meaning or interpretation of this Agreement or any provision hereof.

Section 6. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall constitute one and the same instrument, and any party hereto may execute this Agreement by signing any such counterpart.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the day and year first above written.

SUCCESSOR AGENCY CITY OF FOSTER CITY

By: _____
James C. Hardy, Executive Director

ATTEST:

By: _____
Doris Palmer, Successor Agency Clerk

APPROVED AS TO FORM:

By: _____
Gerald J. Ramiza, Successor Agency
Special Counsel

-AND-

SAN MATEO UNION HIGH SCHOOL DISTRICT

By: _____
Name: _____
Title: _____