



## AGENDA

The City of Garden Grove as  
Successor Agency  
to the Agency for Community  
Development

Tuesday,  
January 24, 2017

6:30 PM

Community Meeting Center, 11300  
Stanford Avenue, Garden Grove, CA  
92840

**Steven R Jones,**  
Chair

**Kris Beard**  
Vice Chair, District 1

**John O'Neill**  
Member, District 2

**Thu-Ha Nguyen**  
Member, District 3

**Phat Bui**  
Member, District 4

**Stephanie  
Klopfenstein**  
Member, District 5

**Kim Nguyen**  
Member, District 6

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**Meeting Assistance:** Any person requiring auxiliary aids and services, due to a disability, to address the Successor Agency, should contact the City Clerk's Office 72 hours prior to the meeting to arrange for accommodations. Phone: 714) 741-5040.

**Agenda Item Descriptions:** Are intended to give a brief, general description of the item. The Successor Agency may take legislative action deemed appropriate with respect to the item and is not limited to the recommended action indicated in staff reports or the agenda.

**Documents/Writings:** Any revised or additional documents/writings related to an item on the agenda distributed to all or a majority of the Successor Agency Members within 72 hours of a meeting, are made available for public inspection at the same time (1) in the City Clerk's Office at 11222 Acacia Parkway, Garden Grove, CA 92840, during normal business hours; (2) on the City's website as an attachment to the Successor Agency meeting agenda; and (3) at the Council Chamber at the time of the meeting.

**Public Comments:** Members of the public desiring to address the Successor Agency are requested to complete a pink speaker card indicating their name and address, and identifying the subject matter they wish to address. This card should be given to the City Clerk prior to the start of the meeting. General comments are made during "Oral Communications," and should be limited to matters under consideration and/or what the Successor Agency has jurisdiction over. Persons wishing to address the Successor Agency regarding a Public Hearing matter will be called to the podium at the time the matter is being considered.

**Manner of Addressing the Successor Agency Members:** After being called by the Chair, you may approach the podium, it is requested that you state your name for the record, and proceed to address the Successor Agency. All remarks and questions should be addressed to the Successor Agency as a whole and not to individual Members or staff members. Any person making impertinent, slanderous, or profane remarks or who becomes boisterous while addressing the Successor Agency shall be called to order by the Chair. If such conduct continues, the Chair may order the person barred from addressing the Successor Agency any further during that meeting.

**Time Limitation:** Speakers must limit remarks for a total of (5) five minutes. When any group of persons wishes to address the Successor Agency on the same subject matter, the Chair may request a spokesperson be chosen to represent the group, so as to avoid unnecessary repetition. At the Successor Agency's discretion, a limit on the total amount of time for public comments during Oral Communications and/or a further limit on the time allotted to each speaker during Oral Communications may be set.

**PLEASE SILENCE YOUR CELL PHONES DURING THE MEETING.**

## AGENDA

### Open Session

6:30 PM

ROLL CALL: Member O'Neill, Member T. Nguyen, Member Bui, Member Klopfenstein, Member K. Nguyen, Vice Chair Beard, Chair Jones

1. ORAL COMMUNICATIONS (to be held simultaneously with other legislative bodies)

2. CONSENT ITEMS

*(Consent Items will be acted on simultaneously with one motion unless separate discussion and/or action is requested by a Successor Agency Member.)*

2.a. Adoption of a Resolution approving the Recognized Obligation Payment Schedule 2017-18 A-B. *(Action Item)*

2.b. Receive and file minutes from the meeting held on November 22, 2016. *(Action Item)*

2.c. Approval of warrants. *(Action Item)*

3. ITEMS FOR CONSIDERATION

3.a. Adoption of a Resolution approving a Debt Management Policy required by Senate Bill 1029. *(Action Item)*

4. MATTERS FROM SUCCESSOR AGENCY CHAIR, MEMBERS AND DIRECTOR

5. ADJOURNMENT

The next Regular Successor Agency Meeting will be held on Tuesday, February 14, 2017, at 5:30 p.m. at the Community Meeting Center, 11300 Stanford Avenue, Garden Grove, CA.



(C) Reserve balances.

(D) Administrative cost allowance.

(E) The Redevelopment Property Tax Trust Fund, 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 this part.

(F) 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 this part.

## DISCUSSION

Staff has prepared and attached is ROPS 17-18 A-B for the Successor Agency's consideration and approval, and includes the FY 17-18 administrative budget. The attached Successor Agency Resolution approves the ROPS in the gross amount of \$23,983,508 requested from the Redevelopment Property Tax Trust Fund ("RPTTF"), subject to submittal to and review by the Oversight Board and then by the DOF, and authorizing posting and transmittal of the ROPS. Several items on ROPS 17-18 A-B are explained in further detail as follows. Importantly, the request for the annual unfunded CalPERS pension liabilities dating back to ROPS 11-12 by fiscal year, listed as line items #59-65, as authorized by Section 34171(d)(1)(C).

*(C) Payments required by the federal government, preexisting obligations to the state or obligations imposed by state law, other than passthrough payments that are made by the county auditor-controller pursuant to Section 34183, or legally enforceable payments required in connection with the agencies' employees, including, but not limited to, **pension payments, pension obligation debt service**, unemployment payments, or other obligations conferred through a collective bargaining agreement.*

The Successor Agency administrative budget of \$595,031 is listed as item #31. The "housing entity administrative cost allowance" of \$150,000 per fiscal year for the Garden Grove Housing Authority acting as the housing successor as authorized by Section 34171(p) is listed as item #51. This item has been previously included by staff and approved by the Successor Agency and Oversight Board on prior ROPS, but the DOF continues to deny funding for this line item. However, there are several cases pending in the Sacramento Superior Court with rulings both in favor and against successor agencies, so until the appellate courts resolve the statutory interpretation counsel recommends listing this item per Section 34171(p).

A couple of items on ROPS 17-18 A-B relate to the continued implementation of the Stipulation for Entry of Interlocutory Judgment ("Judgment") issued in the action *Marina Limon, et al v. Garden Grove Agency for Community Development*, Orange County Superior Court, Case No. 30-2009-00291597. After the Judgment was entered in early 2014, the DOF denied funding to the Successor Agency through the ROPS process, so the *Limon* plaintiffs filed suit against the DOF (Case No. 34-2014-80001994) in Sacramento Superior Court per the Dissolution Law, which action resulted in a ruling adverse to the DOF and in favor of the *Limon* plaintiffs and the Successor Agency and Housing Authority, as real parties in interest. The Court ruled the Judgment in all respects is an enforceable obligation under the Dissolution Law, including ordering that the payments due (such as award of attorneys' fees to *Limon* plaintiffs) and obligations to be performed by Garden Grove (such as development of

replacement housing units) to implement the Judgment are to be funded through the ROPS process. The Housing Authority and Successor Agency continue to implement the Judgment; 6 very low income replacement housing units will be obtained as part of a larger acquisition rehabilitation project consisting of 78 units known as Sycamore Court. The project is currently underway and a portion of the funds being requested are for a deficit in ROPS 16-17.

Further, this ROPS 17-18 A-B lists other Enforceable Obligations comparable to items in prior ROPS. The timing for DOF’s review of each annual ROPS also was amended by SB 107. Now, new subsection (o) of Section 34177 provides that for each ROPS the department shall make its determination of the enforceable obligations and the amounts and funding sources of the enforceable obligations no later than April 15, 2017. Within five business days of the department’s determination, a successor agency may request additional review by the department and an opportunity to meet and confer on disputed items, except for those items which are the subject of litigation disputing the department’s previous or related determination. An untimely submittal of a Recognized Obligation Payment Schedule may result in a meet and confer period of less than 30 days. The department shall notify the successor agency and the county auditor-controller as to the outcome of its review at least 15 days before the date of the first property tax distribution for that period.

**FINANCIAL IMPACT**

None until approved by the DOF. If the DOF approves the ROPS as submitted, the Successor Agency will receive \$23,983,508 (which includes \$595,031 for the administrative budget) for the period July 1, 2017 to June 30, 2018, to pay the Successor Agency’s enforceable obligations.

**RECOMMENDATION**

It is recommended that the Successor Agency:

- Adopt the attached Resolution approving ROPS 17-18 A-B for the annual fiscal period of July 1, 2017 to June 30, 2018, subject to submittal to and review by the Oversight Board and then by the State Department of Finance, and authorizing posting and transmittal of the ROPS. Further, the Community and Economic Development Director and her designees, in consultation with legal counsel, shall be authorized to request and complete meet and confer session(s) with the DOF and authorized to make augmentations, modifications, additions or revisions as may be necessary or directed by DOF.

By: Monica L. Covarrubias, Project Manager

**ATTACHMENTS:**

<b>Description</b>	<b>Upload Date</b>	<b>Type</b>	<b>File Name</b>
Successor Agency Resolution	1/13/2017	Cover Memo	Original_SA_Resolution_Approving_ROPS_17-18_A-B.doc

Recognized Obligation  
Payment Schedule 17- 1/17/2017  
18 A-B

Cover Memo

Copy\_of\_Garden\_Grove\_ROPS17-18.xlsx

RESOLUTION NO. \_\_\_\_

**A RESOLUTION OF THE SUCCESSOR AGENCY TO THE GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT APPROVING THE RECOGNIZED OBLIGATION PAYMENT SCHEDULE 17-18 A-B FOR THE ANNUAL FISCAL PERIOD OF JULY 1, 2017 TO JUNE 30, 2018, SUBJECT TO SUBMITTAL TO, AND REVIEW BY THE OVERSIGHT BOARD AND THE STATE DEPARTMENT OF FINANCE UNDER CALIFORNIA HEALTH AND SAFETY CODE, DIVISION 24, PART 1.85; AND, AUTHORIZING THE POSTING AND TRANSMITTAL OF THE ROPS**

**WHEREAS**, the Garden Grove Agency for Community Development (“Former Agency”) was established as a community redevelopment agency that was previously organized and existing under the California Community Redevelopment Law, Health and Safety Code Sections 33000, *et seq.* (“CRL”), and previously authorized to transact business and exercise the powers of a redevelopment agency pursuant to action of the City Council (“City Council”) of the City of Garden Grove (“City”); and

**WHEREAS**, Assembly Bill x1 26 added Parts 1.8 and 1.85 to Division 24 of the California Health and Safety Code, which caused the dissolution of all redevelopment agencies and wind down of the affairs of former agencies, including as such laws were amended by Assembly Bill 1484 and by other subsequent legislation, and most recently by Senate Bill 107 (together, the “Dissolution Law”); and

**WHEREAS**, as of February 1, 2012 the Former Agency was dissolved pursuant to the Dissolution Law, and, as a separate public entity, corporate and politic, the Successor Agency to the Garden Grove Agency for Community Development (“Successor Agency”) administers the enforceable obligations of the former Agency and otherwise unwinds the Former Agency’s affairs, all subject to the review and approval by a seven-member oversight board (“Oversight Board”); and

**WHEREAS**, Section 34179 provides that the Oversight Board has fiduciary responsibilities to holders of enforceable obligations and the taxing entities that benefit from distributions of property tax and other revenues pursuant to Section 34188 of Part 1.85 of the Dissolution Law; and

**WHEREAS**, Sections 34177(m), 34177(o) and 34179 provide that each ROPS is submitted to, reviewed and approved by the Successor Agency and then reviewed and approved by the Oversight Board before final review and approval by the State Department of Finance (“DOF”); and

**WHEREAS**, Section 34177(o) of the Dissolution Law requires that the annual ROPS for the 17 18 A-B fiscal period of July 1, 2017 to June 30, 2018 (“ROPS 17-18 A-B”) shall be submitted to the DOF by the Successor Agency, after approval by the Oversight Board, no later than February 1, 2017; and

**WHEREAS**, pursuant to Sections 34179.6 and 34177(k)(2)(B), the Successor Agency is required to submit the ROPS to the DOF with copies to the County Administrative

Officer, the County Auditor-Controller, and the State Controller's Office at the same time that the Successor Agency submits the ROPS to the Oversight Board for review; and

**WHEREAS**, the Successor Agency has reviewed the draft ROPS 17-18 A-B, and desires to approve the ROPS 17-18 A-B and to authorize the Successor Agency staff to transmit the ROPS to the Oversight Board; and

**WHEREAS**, the Successor Agency staff is directed to post the ROPS 17-18 A-B on the City/Successor Agency website: <http://www.ci.garden-grove.ca.us/>.

**NOW, THEREFORE, BE IT RESOLVED BY THE SUCCESSOR AGENCY TO THE GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT:**

**Section 1.** The foregoing recitals are incorporated into this Resolution by this reference, and constitute a material part of this Resolution.

**Section 2.** Pursuant to the Dissolution Law, the Successor Agency approves the ROPS 17-18 A-B, which schedule is incorporated herein by this reference; provided however, that the ROPS 17-18 A-B is approved subject to transmittal of the ROPS to the Oversight Board for review and approval with copies of the ROPS to be sent concurrently to the DOF, the County Administrative Officer, the County Auditor-Controller, and the State Controller's Office. Further, the Community and Economic Development Director, or her designee, in consultation with legal counsel, is hereby authorized to request and complete meet and confer session(s) with the DOF and authorized to make augmentations, modifications, additions or revisions as may be necessary or directed by DOF, and changes, if any, will be reported back to the Successor Agency and the Oversight Board.

**Section 3.** After approval by the Oversight Board, the Successor Agency authorizes transmittal of the approved ROPS 17-18 A-B to the DOF, the County Administrative Officer, the County Auditor-Controller, and the State Controller's Office.

**Section 4.** The Community and Economic Development Director, or her designee, is directed to post this Resolution, including the ROPS 17-18 A-B, on the City/Successor Agency website pursuant to the Dissolution Law.

[Resolution continues on next page]



**Section 5.** The Secretary of the Successor Agency shall certify to the adoption of this Resolution.

**APPROVED AND ADOPTED** this 24<sup>th</sup> day of January 2017.

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Chair  
Successor Agency to the Garden Grove Agency  
for Community Development

(SEAL)

ATTEST:

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Teresa Pomeroy, Secretary

STATE OF CALIFORNIA            )  
COUNTY OF ORANGE            ) ss.  
CITY OF GARDEN GROVE        )

I, Teresa Pomeroy, Secretary of the Successor Agency to the Garden Grove Agency for Community Development, hereby certify that the foregoing resolution was duly adopted by the Successor Agency at a regular meeting held on the 24<sup>th</sup> day of January 2017, and that it was so adopted by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

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Teresa Pomeroy, Secretary  
Successor Agency to the Garden Grove Agency  
for Community Development

(SEAL)

**ATTACHMENT 1**  
**to Successor Agency Resolution No. \_\_-\_\_**

**RECOGNIZED OBLIGATION PAYMENT SCHEDULE 17-18 A-B**  
**FOR THE ANNUAL FISCAL PERIOD JULY 1, 2017 TO JUNE 30, 2018**  
**WITH COPY OF FY 16-17 ADMINISTRATIVE BUDGET**

**(attached)**

**Recognized Obligation Payment Schedule (ROPS 17-18) - Summary**

Filed for the July 1, 2017 through June 30, 2018 Period

Successor Agency: Garden Grove  
 County: Orange

Current Period Requested Funding for Enforceable Obligations (ROPS Detail)	17-18A Total (July - December)	17-18B Total (January - June)	ROPS 17-18 Total
<b>A Enforceable Obligations Funded as Follows (B+C+D):</b>	<b>\$ 9,556</b>	<b>\$ 2,959,533</b>	<b>\$ 2,969,089</b>
B Bond Proceeds	-	-	-
C Reserve Balance	-	-	-
D Other Funds	9,556	2,959,533	2,969,089
<b>E Redevelopment Property Tax Trust Fund (RPTTF) (F+G):</b>	<b>\$ 10,428,092</b>	<b>\$ 10,586,327</b>	<b>\$ 21,014,419</b>
F RPTTF	10,428,092	10,586,327	21,014,419
G Administrative RPTTF	-	-	-
<b>H Current Period Enforceable Obligations (A+E):</b>	<b>\$ 10,437,648</b>	<b>\$ 13,545,860</b>	<b>\$ 23,983,508</b>

Certification of Oversight Board Chairman:  
 Pursuant to Section 34177 (o) of the Health and Safety code, I hereby  
 certify that the above is a true and accurate Recognized Obligation  
 Payment Schedule for the above named successor agency.

\_\_\_\_\_  
 Name Title  
 /s/ \_\_\_\_\_  
 Signature Date

**Garden Grove Recognized Obligation Payment Schedule (ROPS 17-18) - ROPS Detail**

July 1, 2017 through June 30, 2018

(Report Amounts in Whole Dollars)

A	B	C	D	E	F	G	H	I	J	K	17-18A (July - December)					17-18B (January - June)					W		
											Fund Sources					Fund Sources							
											L	M	N	O	P	Q	R	S	T	U		V	
Item #	Project Name/Debt Obligation	Obligation Type	Contract/Agreement Execution Date	Contract/Agreement Termination Date	Payee	Description/Project Scope	Project Area	Total Outstanding Debt or Obligation	Retired	ROPS 17-18 Total	Bond Proceeds	Reserve Balance	Other Funds	RPTTF	Admin RPTTF	17-18A Total	Bond Proceeds	Reserve Balance	Other Funds	RPTTF	Admin RPTTF	17-18B Total	
2	Hyatt Regency OPA	Business Incentive	6/1/2000	9/1/2018	OPA, LLC (Performance Based)	Cost of Project Improvements		\$ 151,422,972		\$ 23,983,508			\$ 9,556	\$ 10,428,092	\$ -	\$ 10,437,648			\$ 2,959,533	\$ 10,586,327	\$ -	\$ 13,545,860	
3	Residence Inn DDA	Business Incentive Agreements	12/12/2000	9/1/2020	RIOPA, LLC (Performance Based)	Cost of Project Improvements		8,804,751	N	\$ 3,239,057				1,100,000		\$ 1,100,000			2,139,057			\$ 2,139,057	
6	Katella Cottages OPA	OPA/DDA/Construction	6/10/2008	10/1/2027	Heritage Village Note Investors (Performance Based)	Land Acquisition and Project Improvements		3,075,342	N	\$ 30,000						\$ -					30,000	\$ 30,000	
7	Katella Cottages Note	Bonds Issued On or Before 12/31/10	6/10/2008	10/1/2027	U.S. Bank	Land Acquisition and Project Improvements		177,650	N	\$ 177,650				68,875		\$ 68,875					108,775	\$ 108,775	
9	Coastline Lease Payments	Miscellaneous	3/4/1994	2/1/2016	Coast Community College District	Office Space Rent (Payments in Aug and Feb)		542,256	N	\$ 542,256				542,256		\$ 542,256							\$ -
12	Garden Grove Hyundai	Business Incentive Agreements	11/5/2009	2/28/2017	Garden Grove Hyundai (Performance Based)	Cost of Project Improvements (Payment in Feb)			Y	\$ -						\$ -							\$ -
14	Union Bank Loan	Third-Party Loans	5/1/2008	6/1/2020	Union Bank of California	Land Acquisition - Estimated Monthly Payments - Variable Interest		13,070,049	N	\$ 4,600,000				2,300,000		\$ 2,300,000					2,300,000	\$ 2,300,000	
15	Embassy Suites DDA Amendment	Business Incentive Agreements	1/9/2007	1/9/2025	Landmark (Performance Based)	Project Improvements (\$7M)		7,000,000	N	\$ -						\$ -							\$ -
16	Sycamore Walk DDA	Remediation	11/12/1996	6/30/2023	Olson Urban Housing	Quarterly Soil/Ground Water Monitoring Events		85,111	N	\$ 14,922						\$ -					14,922	\$ 14,922	
18	Housing Fund Deficit	SERAF/ERAF	2/1/2012	12/31/2020	Garden Grove Hsgng Auth.	Repayment of Housing Fund from SERAF/ERAF			N														
19	Waterpark Hotel DDA	Business Incentive Agreements	5/12/2009	12/31/2026	Garden Grove MXD & Various	Site Assembly/Project Assistance		11,672,312	N	\$ 2,430,353				409,356		\$ 409,356					2,020,997	\$ 2,020,997	
20	Site B2 DDA	Business Incentive Agreements	6/26/2001	6/26/2025	Kam Sang Inc.	Project Assistance & Site Assembly & Preparation Costs		3,300,000	N	\$ 360,000						\$ -					360,000	\$ 360,000	
22	Brookhurst Triangle DDA	OPA/DDA/Construction	11/23/2010	12/31/2020	New Age Brookhurst, LLC & Various	Site Preparation Costs		1,500,000	N	\$ 1,013,500				1,013,500		\$ 1,013,500						\$ -	
24	Project Management for Item 20 - Site B2	Project Management Costs	6/26/2001	6/26/2025	City of Garden Grove	Labor associated w/ project coordination / management		388,030	N	\$ 178,580				89,290		\$ 89,290					89,290	\$ 89,290	
25	Project Legal for Items 19-20	Legal	6/26/2001	12/31/2026	SYCR and WSS Firms	Legal Costs Associated with project items 19 & 20		150,000	N	\$ 50,000				25,000		\$ 25,000				25,000	\$ 25,000		
27	Agency Property Maint/Management	Property Maintenance	2/1/2012	12/31/2020	Various	Management and Maintenance of Successor Agency Owned Property Awaiting Development or Disposal		163,000	N	\$ 17,217			9,556			\$ 9,556			7,661			\$ 7,661	
31	Administrative Allowance	Admin Costs	1/1/2014	6/30/2019	City of Garden Grove	Administrative Allowance per AB 1484		5,471,090	N	\$ 595,031				294,379		\$ 294,379				300,652		\$ 300,652	
33	Brookhurst Triangle DDA	Property Dispositions	7/29/2002	12/31/2020	Wang	See Notes.		1,790,971	N	\$ 1,790,971				1,790,971		\$ 1,790,971						\$ -	
34	Brookhurst Triangle DDA	Property Dispositions	7/29/2002	12/31/2020	City of Garden Grove	See Notes.		1,190,971	N	\$ 1,190,971						\$ -				1,190,971		\$ 1,190,971	
37	Project Management for Item 22 - Brookhurst	Project Management Costs	11/23/2010	12/31/2020	City of Garden Grove	Labor associated w/ project coordination / management		451,710	N	\$ 178,580				89,290		\$ 89,290				89,290		\$ 89,290	
39	2014 Tax Allocation Refunding Bonds	Bonds Issued After 12/31/10	6/26/2014	10/1/2029	U.S. Bank National Association	Refunding of 2003 Tax Allocation Bonds		28,467,352	N	\$ 3,804,138				1,607,000		\$ 1,607,000				2,197,138		\$ 2,197,138	
40	Limón Law Suit Settlement	Litigation	9/20/2013	6/30/2015	Various	Settlement of Former Agency Lawsuit Associated with Item 19			N														
41	Project Legal for Item 22	Legal	11/23/2010	12/31/2020	SYCR and WSS Firms	Legal Costs Associated with project item 22			Y	\$ -						\$ -						\$ -	
47	Appraisals(s)	Admin Costs	7/1/2015	12/31/2017	TBD	Appraisals for Properties on the Long Range Property Management Plan		54,000	N	\$ 3,250				3,250		\$ 3,250						\$ -	
48	Site C DDA	Business Incentive Agreements	6/14/2011	7/1/2032	Land & Design & Various	Site Assembly/Preparation and Project Assistance			Y														
49	Limón Law Suit Settlement/Judgement	Litigation	6/5/2015	6/5/2020	Public Counsel	Attorneys Fees per Judgement/Court Ruling			N	\$ -						\$ -						\$ -	
50	Limón Law Suit Settlement/Judgement	Litigation	6/5/2015	6/5/2020	Various	Replacement Housing Obligation per Judgement/Court Ruling			N	\$ 46,000				46,000		\$ 46,000						\$ -	
51	Housing Successor Administration	Admin Costs	1/1/2016	6/30/2016	Garden Grove Housing Authority	Administration of the Housing Successor		1,500,000	N	\$ 150,000				75,000		\$ 75,000				75,000		\$ 75,000	
52	Item 39 Trustee Fee (2014 TARF)	Fees	6/26/2014	10/1/2029	U.S. Bank National Association	Fees associated with Bond payment		179,400	N	\$ 5,040				2,520		\$ 2,520				2,520		\$ 2,520	
53	Item 19 Trustee Fee (Waterpark Bond)	Fees	5/12/2009	12/31/2026	U.S. Bank National Association	Fees associated with Bond payment		236,600	N	\$ 7,815				3,250		\$ 3,250				4,565		\$ 4,565	
54	Item 7 Trustee Fee (Katella Cottages Note)	Fees	6/10/2008	10/1/2027	U.S. Bank National Association	Fees associated with Note		22,000	N	\$ 2,175				1,087		\$ 1,087				1,088		\$ 1,088	
55	Successor Agency Legal Fees for Limon Litigation (Item 49 & 50)	Legal	6/5/2015	6/5/2020	SYCR and WSS Firms	Attorneys Fees per Judgement/Court Ruling		60,000	N	\$ 50,000				50,000		\$ 50,000						\$ -	
56	2016 Tax Allocation Bonds (for Waterpark Hotel, Item 19)	Refunding Bonds Issued After 6/27/12	10/1/2016	10/1/2033	U.S. Bank	Refunding Bonds issued associated with project item 19		54,835,662	N	\$ 1,652,251				413,063		\$ 413,063				1,239,188		\$ 1,239,188	
57	Project Management for Item 19 - Water Park	Business Incentive Agreements	6/26/2009	12/31/2026	City of Garden Grove	Labor associated w/ project coordination / management		18,650	N	\$ 7,486				3,743		\$ 3,743				3,743		\$ 3,743	
58	Item 14 Dissemination Fees	Fees	5/1/2008	6/1/2020	Union Bank of California	Fees associated with loan		4,000	N	\$ 525				262		\$ 262				263		\$ 263	
59	Unfunded CalPERS Pension Liabilities 2011-12	Unfunded Liabilities	2/1/2012	6/30/2018	City of Garden Grove	Reimbursement of unfunded CalPERS Pension Liabilities		12,126	N	\$ 12,126						\$ -				12,126		\$ 12,126	
60	Unfunded CalPERS Pension Liabilities 2012-13	Unfunded Liabilities	7/1/2012	6/30/2018	City of Garden Grove	Reimbursement of unfunded CalPERS Pension Liabilities		32,299	N	\$ 37,110						\$ -				37,110		\$ 37,110	
61	Unfunded CalPERS Pension Liabilities 2013-14	Unfunded Liabilities	7/1/2013	6/30/2018	City of Garden Grove	Reimbursement of unfunded CalPERS Pension Liabilities		46,578	N	\$ 55,969						\$ -				55,969		\$ 55,969	
62	Unfunded CalPERS Pension Liabilities 2014-15	Unfunded Liabilities	7/1/2014	6/30/2018	City of Garden Grove	Reimbursement of unfunded CalPERS Pension Liabilities		64,277	N	\$ 78,958						\$ -				78,958		\$ 78,958	
63	Unfunded CalPERS Pension Liabilities 2015-16	Unfunded Liabilities	7/1/2015	6/30/2018	City of Garden Grove	Reimbursement of unfunded CalPERS Pension Liabilities		105,316	N	\$ 105,316						\$ -				105,316		\$ 105,316	
64	Unfunded CalPERS Pension Liabilities 2016-17	Unfunded Liabilities	7/1/2016	6/30/2018	City of Garden Grove	Reimbursement of unfunded CalPERS Pension Liabilities		121,723	N	\$ 121,723						\$ -				121,723		\$ 121,723	
65	Unfunded CalPERS Pension Liabilities 2017-18	Unfunded Liabilities	7/1/2017	10/1/2033	Cal PERS	Unfunded CalPERS Pension Liabilities		5,516,931	N	\$ 121,723						\$ -				121,723		\$ 121,723	
66									N	\$ -						\$ -						\$ -	
67									N	\$ -						\$ -						\$ -	
68									N	\$ -						\$ -						\$ -	
69									N	\$ -						\$ -						\$ -	
70									N	\$ -						\$ -						\$ -	

**Garden Grove Recognized Obligation Payment Schedule (ROPS 17-18) - ROPS Detail**

July 1, 2017 through June 30, 2018

(Report Amounts in Whole Dollars)

A	B	C	D	E	F	G	H	I	J	K	17-18A (July - December)					Q	17-18B (January - June)					W		
											Fund Sources						Fund Sources							
											L	M	N	O	P		R	S	T	U	V			
																							Bond Proceeds	Reserve Balance
Item #	Project Name/Debt Obligation	Obligation Type	Contract/Agreement Execution Date	Contract/Agreement Termination Date	Payee	Description/Project Scope	Project Area	Total Outstanding Debt or Obligation	Retired	ROPS 17-18 Total						17-18A Total						17-18B Total		
71									N	\$ -						\$ -								\$ -
72									N	\$ -						\$ -								\$ -
73									N	\$ -						\$ -								\$ -
74									N	\$ -						\$ -								\$ -
75									N	\$ -						\$ -								\$ -
76									N	\$ -						\$ -								\$ -
77									N	\$ -						\$ -								\$ -
78									N	\$ -						\$ -								\$ -
79									N	\$ -						\$ -								\$ -
80									N	\$ -						\$ -								\$ -
81									N	\$ -						\$ -								\$ -
82									N	\$ -						\$ -								\$ -
83									N	\$ -						\$ -								\$ -
84									N	\$ -						\$ -								\$ -
85									N	\$ -						\$ -								\$ -
86									N	\$ -						\$ -								\$ -
87									N	\$ -						\$ -								\$ -
88									N	\$ -						\$ -								\$ -
89									N	\$ -						\$ -								\$ -
90									N	\$ -						\$ -								\$ -
91									N	\$ -						\$ -								\$ -
92									N	\$ -						\$ -								\$ -
93									N	\$ -						\$ -								\$ -
94									N	\$ -						\$ -								\$ -
95									N	\$ -						\$ -								\$ -
96									N	\$ -						\$ -								\$ -
97									N	\$ -						\$ -								\$ -
98									N	\$ -						\$ -								\$ -
99									N	\$ -						\$ -								\$ -
100									N	\$ -						\$ -								\$ -
101									N	\$ -						\$ -								\$ -
102									N	\$ -						\$ -								\$ -
103									N	\$ -						\$ -								\$ -
104									N	\$ -						\$ -								\$ -

**Garden Grove Recognized Obligation Payment Schedule (ROPS 17-18) - Report of Cash Balances  
(Report Amounts in Whole Dollars)**

Pursuant to Health and Safety Code section 34177 (l), Redevelopment Property Tax Trust Fund (RPTTF) may be listed as a source of payment on the ROPS, but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation. For tips on how to complete the Report of Cash Balances Form, [see Cash Balance Tips Sheet.](#)

A	B	C	D	E	F	G	H	I	
		<b>Fund Sources</b>							
		<b>Bond Proceeds</b>		<b>Reserve Balance</b>		<b>Other</b>	<b>RPTTF</b>		
	<b>Cash Balance Information by ROPS Period</b>	Bonds issued on or before 12/31/10	Bonds issued on or after 01/01/11	Prior ROPS period balances and DDR RPTTF balances retained	Prior ROPS RPTTF distributed as reserve for future period(s)	Rent, grants, interest, etc.	Non-Admin and Admin	<b>Comments</b>	
<b>ROPS 15-16B Actuals (01/01/16 - 06/30/16)</b>									
1	<b>Beginning Available Cash Balance (Actual 01/01/16)</b>					588,412	2,425,221		
2	<b>Revenue/Income (Actual 06/30/16)</b> RPTTF amounts should tie to the ROPS 15-16B distribution from the County Auditor-Controller during January 2016		42,353,808			6,188,241	6,025,238	Column D: New issuance of 2016 TAB bonds. Column G: Includes receipt of property disposition proceeds to developer for ROPS lines 33 & 34.	
3	<b>Expenditures for ROPS 15-16B Enforceable Obligations (Actual 06/30/16)</b>		42,353,808			6,483,755	6,734,824	Column G: Includes the payments of property disposition proceeds to taxing entities and 3rd parties per DDA's for ROPS lines 33 & 34 and LRPMP items# 46-48.	
4	<b>Retention of Available Cash Balance (Actual 06/30/16)</b> RPTTF amount retained should only include the amounts distributed as reserve for future period(s)								
5	<b>ROPS 15-16B RPTTF Balances Remaining</b>	No entry required						1,037,425	
6	<b>Ending Actual Available Cash Balance</b> C to G = (1 + 2 - 3 - 4), H = (1 + 2 - 3 - 4 - 5)	\$ -	\$ -	\$ -	\$ -	\$ 292,898	\$ 678,210		







MINUTES

THE CITY OF GARDEN GROVE AS SUCCESSOR AGENCY  
TO THE GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT

Regular Meeting

Tuesday, November 22, 2016

Community Meeting Center  
11300 Stanford Avenue, Garden Grove, CA 92840

CONVENE MEETING

At 6:55 p.m., Vice Chair Beard convened the meeting in the A Room.

ROLL CALL      PRESENT:      (3)    Vice Chair Beard, Members Bui, Nguyen

                         ABSENT:      (2)    Chair Jones, Member Phan

ORAL COMMUNICATIONS

Speakers: Tom Goode, Marilyn Rubio, Terry Anderson, Marisol Rivera, Walter Muneton, Tom Zero, Tony Flores, Glen Peterson, Sabiha Khan, Mark Anthony Paredes, Julian Garcia, Peter Katz, Charles Mitchell, Hasan Hboubati, Beth Mays, David Bracey, Sylvia Kim, Heidi Vargas, Lynne Aoki, Shaista Azad

RECESS

At 7:40 p.m., Vice Chair Beard declared a recess.

RECONVENE

At 7:44 p.m., Vice Chair Beard reconvened the meeting with Members Bui and Nguyen present.

MINUTES (F: Vault)

It was moved by Member Nguyen, seconded by Member Bui that:

The minutes from the meetings held on October 11, 2016, and October 25, 2016, be received and filed.

The motion carried by a 3-0-2 vote as follows:

Ayes: (3) Beard, Bui, Nguyen  
Noes: (0) None  
Absent (2) Jones, Phan

WARRANTS (F: 60.5)

It was moved by Member Nguyen, seconded by Member Bui that:

The Regular Warrants 1472 through 1474 be approved as presented in the warrant register submitted that have been audited for accuracy and funds are available for payment thereof by the Finance Director.

The motion carried by a 3-0-2 vote as follows:

Ayes: (3) Beard, Bui, Nguyen  
Noes: (0) None  
Absent (2) Jones, Phan

APPROVAL OF A CHANGE ORDER/AMENDMENT TO THE AGREEMENT WITH J&G INDUSTRIES, INC., FOR DEMOLITION OF STRUCTURES AT 10151 GARDEN GROVE BOULEVARD, 12863 AND 12865 BROOKHURST STREET, GARDEN GROVE

After the presentation by staff and Successor Agency discussion, it was moved by Member Bui, seconded by Member Nguyen that:

The Change Order to J&G Industries, Inc., in the amount of \$170,236.00, to remove asbestos containing materials, be approved;

The Director be authorized to increase the contract sum with J G Industries, Inc., to \$509,114.00 to cover the cost of this Change Order; and

The Director be authorized to execute a contract amendment for the change order on behalf of the Successor Agency, and make minor modifications as appropriate.

The motion carried by a 3-0-2 vote as follows:

Ayes: (3) Beard, Bui, Nguyen  
Noes: (0) None  
Absent (2) Jones, Phan

JOINT MATTER WITH THE HOUSING AUTHORITY - APPROVAL OF A QUITCLAIM DEED CONVEYING PROPERTIES LOCATED AT 12912 7TH STREET, 11361 GARDEN GROVE BOULEVARD, AND 12931 9TH STREET FROM THE SUCCESSOR AGENCY TO THE GARDEN GROVE HOUSING AUTHORITY

After the presentation by staff and Successor Agency/Housing Authority discussion,  
Successor Agency

It was moved by Member Nguyen, seconded by Member Bui that:

The quitclaim deed conveying the properties from the Successor Agency be approved; and

The Director be authorized to execute the quitclaim deed on behalf of the Successor Agency and make minor modifications as needed.

The motion carried by a 3-0-2 vote as follows:

Ayes: (5) Beard, Bui, Nguyen  
Noes: (0) None  
Absent: (2) Jones, Phan

Housing Authority

It was moved by Commissioner Beard, seconded by Commissioner Bui that:

The quitclaim deed conveying the Properties to the Housing Authority be approved; and

The Secretary be authorized to accept the quitclaim deed on behalf of the Housing Authority.

The motion carried by a 5-0-2 vote as follows:

Ayes: (5) Beard, Beckles, Bui, Nguyen, O'Connor  
Noes: (0) None  
Absent: (2) Jones, Phan

ADJOURNMENT

At 7:50 p.m., Vice Chair Beard adjourned the meeting. The next Regular Meeting will be held Tuesday, December 13, 2016, at 5:30 p.m. in the Community Meeting Center, 11300 Stanford Avenue, Garden Grove, California.

Kathleen Bailor, CMC  
Secretary



REDEVEL. SUCCESSOR AGENCY  
CHECK REGISTER  
01/24/17

WARRANT	VENDOR	DESCRIPTION	AMOUNT
1484	VOID WARRANT		
1485	SOUTHERN CALIFORNIA EDISON	ELECTRICITY	25.03 *
1486	NATIONAL CONSTRUCTION RENTALS	OTHER RENTALS	233.40 *
1487	RIOPA, LLC C/O ED COSS	TAX REBATE	451,779.27 *
1488	RICE, MICHAEL A-THRONE CO., INC.	OTHER RENTALS	107.15 *
1489	OCEAN BLUE ENVIRONMENTAL SERV	HAZMAT REMOVAL	158,623.58 *
W1763	U.S. BANK	FA-UBOC DEBT SVC	2,195,834.00 *
W1764	U.S. BANK	FA-2014 TARB DEBT INTEREST COSTS	1,607,000.00 709,000.00 2,316,000.00 *

PAGE TOTAL FOR "\*" LINES = 5,122,602.43

FINAL TOTAL 5,122,602.43 \*

DEMANDS #1484 - 1489 AND WIRES W1763 - W1764 AS PRESENTED IN THE WARRANT REGISTER SUBMITTED TO THE GARDEN GROVE CITY COUNCIL JANUARY 24, 2017, HAVE BEEN AUDITED FOR ACCURACY AND FUNDS ARE AVAILABLE FOR PAYMENT THEREOF

  
KINGSLEY C. OKEREKE - FINANCE DIRECTOR



consistent with Government Code section 8855(i) requirements and is also consistent with GFOA's recommendations and reflects objectives that establish parameters for the issuance and administration of Agency debt.

SB 1029 sets out key objectives that should be incorporated in a Debt Management Policy. The objectives are to:

- Minimize debt service and issuance costs.
- Maintain access to cost-effective borrowing.
- Achieve and maintain highest reasonable credit rating.
- Full and timely repayment of debt.
- Maintain full and complete financial disclosure and reporting.
- Ensure compliance with state and federal laws and regulations.

By adopting the Resolution to approve this Debt Management Policy the Successor Agency will comply with the key objectives SB 1029.

#### FINANCIAL IMPACT

None.

#### RECOMMENDATION

It is recommended that the Successor Agency:

- Adopt the Resolution approving the Debt Management Policy as required by Senate Bill 1029.

By: Alex Trinidad, Senior Accountant

#### **ATTACHMENTS:**

<b>Description</b>	<b>Upload Date</b>	<b>Type</b>	<b>File Name</b>
Successor Agency Resolution	1/18/2017	Resolution Letter	Debt_Management_Resolution.pdf
Debt Management Policy	1/19/2017	Backup Material	Debt_Management_Policy.pdf



RESOLUTION NO. \_\_\_\_\_

A RESOLUTION OF THE CITY OF GARDEN GROVE AS  
SUCCESSOR AGENCY TO THE GARDEN GROVE AGENCY  
FOR COMMUNITY DEVELOPMENT ADOPTING A DEBT  
MANAGEMENT POLICY

WHEREAS, the City of Garden Grove as Successor Agency to the Garden Grove Agency for Community Development (Successor Agency) recognizes that cost-effective access to the capital markets depends on prudent management of the Agency's debt program; and

WHEREAS, the Successor Agency wishes to set parameters for issuing debt, managing the debt portfolio and providing guidance to decision makers; and

WHEREAS, the Government Finance Officers Association recommends as a best practice for government agencies to adopt a debt management policy; and

WHEREAS, SB 1029 (2016) amended Government Code 8855 to require the Successor Agency to certify that it has adopted a debt management policy prior to issuing new debt; and

WHEREAS, the City of Garden Grove City Council has concurrently herewith adopted the same debt management policy on behalf of the City's related agencies; and

NOW, THEREFORE, BE IT RESOLVED that the City of Garden Grove as Successor Agency to the Garden Grove Agency for Community Development adopted the Debt Management Policy concurrently adopted by the City of Garden Grove City Council, and a copy of which is attached hereto as Exhibit "A" be approved, adopted, and applicable to debt issued by the Successor Agency.

## **DEBT MANAGEMENT POLICY**

The Debt Management Policy (the "Debt Policy") of the City of Garden Grove (the "City") and the entities listed in the following paragraph was approved by the City Council on \_\_\_\_\_. The Debt Policy may be amended or waived pursuant to Section F by City Council as it deems appropriate from time to time in the prudent management of the debt of the City.

The Debt Policy will also apply to any debt issued by the Successor Agency to Garden Grove Agency for Community Development, Garden Grove Sanitary District, Garden Grove Housing Authority, Garden Grove Public Financing Authority, or any other public agency or non-profit public benefit corporation affiliated with the City.

### **1. Debt Management Objectives**

The Debt Policy sets objectives in the issuance and management of debt by the City of Garden Grove or its affiliated entities. The Debt Policy shall govern all debt undertaken by the City and its affiliated entities.

The City recognizes that a fiscally prudent debt policy is required in order to:

- Maintain the City's sound financial position;
- Ensure the City has the flexibility to respond to changes in future service priorities, revenue levels, and operating expenses;
- Protect the City's credit-worthiness; and
- Ensure that the City's debt is consistent with the City's planning goals and objectives and capital improvement program or budget, as applicable.

The main objectives are to establish conditions for the use of debt:

- To ensure that debt capacity and affordability are adequately considered
- To minimize the City's interest and issuance costs
- To maintain the highest possible credit rating
- To provide complete financial disclosure and reporting
- To maintain financial flexibility for the City.

Debt, properly issued and managed, is a critical element in any financial management program. It assists in the City's effort to allocate limited resources to provide the highest quality of service to the public. A properly managed debt program promotes economic growth and enhances the vitality of the City of Garden Grove for its residents and businesses.

### **2. Policies**

#### **A. Purposes For Which Debt May Be Issued**

The City will consider the use of debt financing primarily for capital improvement

projects (CIP) when the project's useful life will equal or exceed the term of the financing or otherwise comply with Federal tax law requirements and when resources are identified sufficient to fund the debt service requirements. An exception to this CIP driven focus is the issuance of short-term instruments such as tax and revenue anticipation notes, which are to be used for prudent cash management purposes and conduit financing, as described below. Bonded debt should not be issued to finance normal operating expenses.

If a department has any project which is expected to use debt financing, the department director is responsible for expeditiously providing the City Manager and the Director of Finance with reasonable cost estimates, including specific revenue sources that will provide payment for the debt service. This will allow an analysis of the project's potential impact on the City's debt capacity and limitations. The department director shall also provide an estimate of any incremental operating and/or additional maintenance costs associated with the project and identify sources of revenue, if any, to pay for such incremental costs.

(i) Long-Term Debt. Long-term debt may be issued to finance or refinance the construction, acquisition, and rehabilitation of capital improvements and facilities, equipment, and land to be owned and/or operated by the City.

(a) Long-term debt financings are appropriate when the following conditions exist:

- When the project to be financed is necessary to provide basic services; and
- When the project to be financed will provide benefit to constituents over multiple years; and
- When total debt does not constitute an unreasonable burden to the City and its taxpayers and ratepayers; or
- When the debt is used to refinance outstanding debt in order to produce debt service savings or to realize the benefits of a debt restructuring.

(b) Long-term debt financings will not generally be considered appropriate for current operating expenses and routine maintenance expenses.

(c) The City may use long-term debt financings subject to the following conditions:

- The project to be financed has been or will be approved by the City Council or the governing board of the appropriate affiliated entity;
- The City estimates that sufficient income or revenues will be available to service the debt through its maturity;
- The City determines that the issuance of the debt will comply with the applicable requirements of state and federal law; and
- The City considers the improvement/facility to be of vital, time-sensitive need of the community and there are no plausible alternative financing sources.

(d) Periodic reviews of outstanding long-term debt will be undertaken to identify refunding opportunities. Refunding will be considered (within federal tax law

constraints, if applicable,) if and when there is a net economic benefit of the refunding. Refundings which are non-economic may be undertaken to achieve City objectives relating to changes in covenants, call provisions, operational flexibility, tax status of the issuer, or the debt service profile.

In general, refundings which produce a net present value aggregate savings of at least three (3) percent of the refunded debt will be considered economically viable. Refundings which produce a net present value aggregate savings of less than three (3) percent or negative savings will be considered on a case-by-case basis, and are subject to City Council approval.

(ii) Short-term debt. Short-term borrowing may be issued to generate funding for cash flow needs.

Short-term borrowing, such as commercial paper, Tax and Revenue Anticipation Notes (TRANS), and lines of credit, will be considered as an interim source of funding in anticipation of long-term borrowing. Short-term debt may be issued for any purpose for which long-term debt may be issued, including capitalized interest and other financing-related costs. Prior to issuance of short-term debt, a reliable revenue source shall be identified to secure repayment of the debt. The final maturity of the debt issued to finance the project shall be consistent with the economic or useful life of the project.

Short-term debt may also be used to finance short-lived capital projects such as lease-purchase financing for equipment.

(iii) Financings on Behalf of Other Entities. The City may also find it beneficial to issue debt on behalf of other governmental agencies or private third parties in order to further the public purposes of City. In such cases, the City shall take reasonable steps to confirm the financial feasibility of the project to be financed and the financial solvency of any borrower and that the issuance of such debt is consistent with the policies set forth herein. In no event will the City incur any liability or assume responsibility for payment of debt service on such debt.

## **B. Types of Debt**

In order to maximize the financial options available to benefit the public, it is the policy of the City to allow for the consideration of issuing all generally accepted types of debt, including, but not exclusive to the following:

- General Obligation (GO) Bonds: General Obligation Bonds are suitable for use in the construction or acquisition of improvements to real property that benefit the public at large. Examples of projects include libraries, parks, and public safety facilities. All GO bonds shall be authorized by the requisite number of voters in order to pass.
- Revenue Bonds/Certificates of Participation (COPs): Revenue Bonds are limited-liability obligations tied to a specific enterprise or special fund revenue stream where the projects financed clearly benefit or relate to the enterprise

or are otherwise permissible uses of the special revenue. Generally, no voter approval is required to issue this type of obligation but in some cases, the City must comply with proposition 218 regarding rate adjustments.

- Joint Powers Authority (JPA) Revenue Bonds: As an alternative to COPs, the City may obtain financing through the issuance of debt by a joint exercise of powers agency with such debt payable from amounts paid by the City under a lease, installment sale agreement, or contract of indebtedness.
- Loans: The City is authorized to enter into loans, installment payment obligations, or other similar funding structures secured by a prudent source, or sources of repayment.
- Lease-Backed Debt/Certificates of Participation (Lease Revenue Bonds/COPs): Issuance of Lease-Backed Debt is a commonly used form of debt that allows a City to finance projects where the debt service is secured via a lease agreement and where the payments are budgeted in the annual budget appropriation by the City. Lease-Backed Debt does not constitute indebtedness under the State or the City's constitutional debt limit and does not require voter approval. Lease Revenue Bonds may be issued by the Garden Grove Public Financing Authority on behalf of the City.
- Special Assessment/Special District Debt: The City will consider requests from developers for the use of debt financing secured by property based assessments or special taxes in order to provide for necessary infrastructure for new development under guidelines adopted by City Council, which may include minimum value-to-lien ratios and maximum tax burdens. Examples of this type of debt are Assessment Districts (AD) and Community Facilities Districts (CFD) or more commonly known as Mello-Roos Districts. In order to protect bondholders as well as the City's credit rating, the City will also comply with all State guidelines regarding the issuance of special district or special assessment debt.
- Tax Allocation Bonds: Tax Allocation Bonds are special obligations that are secured by the allocation of tax increment revenues that are generated by increased property taxes in the designated redevelopment area. Tax Allocation Bonds are not debt of the City. Due to changes in the law affecting California redevelopment agencies with the passage of ABX1 26 (as amended, the Dissolution Act) as codified in the California Health and Safety Code, the Garden Grove Agency for Community Development (RDA) was dissolved as of February 1, 2012, and its operations substantially eliminated but for the continuation of certain enforceable RDA obligations to be administered by the Successor Agency to the Garden Grove Agency for Community Development (Successor Agency). The Successor Agency may issue Tax Allocation Bonds to refinance outstanding obligations of the RDA, subject to limitations included in the Dissolution Act.
- Multi-Family Mortgage Revenue Bonds: The City is authorized to issue mortgage revenue bonds to finance the development, acquisition, and

rehabilitation of multi-family rental projects. The interest on the bonds can be exempt from Federal and State taxation. As a result, bonds provide below market financing for qualified rental projects. In addition, the bonds issued can qualify projects for allocations of Federal low-income housing tax credits, which can provide a significant portion of the funding necessary to develop affordable housing.

- HUD Section 108 Loan Guarantee Program: The U.S. Department of Housing and Urban Development (HUD) Section 108 Loan Guarantee Program allows cities to use their annual Community Development Block Grant (CDBG) entitlement grants to obtain federally guaranteed funds large enough to stimulate or pay for major community development and economic development projects. The program does not require a pledge of the City's General Fund, only of future CDBG entitlements. By pledging future CDBG entitlement grants as security, the City can borrow at favorable interest rates because of HUD's guarantee of repayment to investors.
- Refunding Bonds: The City shall refinance debt pursuant to the authorization that is provided under California law, including but not limited to Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, as market opportunities arise. The Finance Director shall identify refunding opportunities and prepare a present value analysis that describes the economic effects of a refunding. Refundings may be undertaken in order: (i) to take advantage of lower interest rates and achieve debt service costs savings; (ii) to eliminate restrictive or burdensome bond covenants; or (iii) to restructure debt to lengthen the duration of repayment, relieve debt service spikes, reduce volatility in interest rates or free up reserve funds. Generally, the City shall strive to achieve a minimum of 3% net present value savings for a current refunding and a minimum of 5% net present value savings for an advance refunding. Upon the advice of the Finance Director and with the assistance of a financial advisor and bond counsel, the City will consider undertaking refundings for other than economic purposes upon a finding that such a restructuring is in the City's overall best financial interest.

The City may from time to time find that other forms of debt would be beneficial to further its public purposes and may approve such debt without an amendment of this Debt Policy.

To maintain a predictable debt service burden, the City will give preference in the future to debt that carries a fixed interest rate. An alternative to the use of fixed rate debt is variable rate debt. The City has in the past and may choose in the future to issue securities that pay a rate of interest that varies according to a pre-determined formula or results from a periodic remarketing of securities. When making the determination to issue bonds in a variable rate mode in the future, consideration will be given in regards to the useful life of the project or facility being financed or the term of the project requiring the funding, market conditions, credit risk and third party risk analysis, cost benefit of employing interest rate caps, and the overall debt portfolio structure when issuing variable rate debt for any purpose.

The use of derivative products can, among other things, increase City financial flexibility and provide opportunities for interest rate savings or enhance investment yields. Careful monitoring of such products is required to preserve City credit strength and budget flexibility. Swaps will not be used to speculate on perceived movements in interest rates. Before the City enters into any derivative product associated with debt, the City Council or appropriate governing body shall consider and approve the plan and product separately.

### **C. Relationship of Debt to Capital Improvement Program and Budget**

The City intends to issue debt for the purposes stated in this Debt Policy and to implement policy decisions incorporated in the City's capital budget and the capital improvement plan.

The City shall seek to avoid the use of debt to fund infrastructure and facilities improvements that are the result of normal wear and tear, unless a specific revenue source has been identified for this purpose.

The City shall integrate its debt issuances with the goals of its capital improvement program by timing the issuance of debt to ensure that projects are available when needed in furtherance of the City's public purposes.

The decision to incur new indebtedness should be integrated with the City Council adopted annual Operating Budget and Capital Improvement Program Budget. The annual debt service payments shall be included in the Operating Budget.

### **D. Policy Goals Related to Planning Goals and Objectives**

The City is committed to financial planning, maintaining appropriate reserves levels, and employing prudent practices in governance, management and budget administration. The City intends to issue debt for the purposes stated in this Debt Policy and to implement policy decisions incorporated in the City's annual operating budget.

It is a policy goal of the City to protect taxpayers, ratepayers and constituents by utilizing conservative financing methods and techniques so as to obtain the highest practical credit ratings, if applicable, and the lowest practical borrowing costs.

The City will comply with applicable State and Federal law as it pertains to the maximum term of debt and the procedures for levying and imposing any related taxes, assessments, rates, and charges.

Except as described in Section 2.A., when refinancing debt, it shall be the policy goal of the City to realize, whenever possible, and subject to any overriding non-financial policy considerations minimum aggregate net present value debt service savings equal to or greater than 3% of the refunded principal amount.

## **E. Internal Control Procedures**

When issuing debt, in addition to complying with the terms of this Debt Policy, the City shall comply with any other applicable policies regarding initial bond disclosure, continuing disclosure, post-issuance compliance, and investment of bond proceeds. The Director of Finance has the responsibility to determine and oversee internal control procedures.

The City will periodically review the requirements of and will remain in compliance with the following:

- Federal securities law, including any continuing disclosure undertakings under SEC Rule 15c2-12;
- Any federal tax compliance requirements, including without limitation arbitrage and rebate compliance, related to any prior bond issues;
- The City's investment policies as they relate to the investment of bond proceeds; and
- Government Code section 8855(k) and the annual reporting requirements therein.

The City shall be vigilant in using bond proceeds in accordance with the stated purpose at the time that such debt was issued. Whenever reasonably possible, proceeds of debt will be held by a third-party trustee and the City will submit written requisitions for such proceeds. The City will submit a requisition only after obtaining the signature of the City Manager or the Director of Finance.

## **F. Amendment and Waivers of Debt Policy**

- The Debt Policy will be reviewed and amended from time to time as appropriate subject to City Council approval.
- There will be circumstances from time to time when strict adherence to a provision of this Debt Policy is not possible or not in the best interest of the City.
- If the City staff has determined that a waiver of one or more provisions of this Debt Policy should be considered by the City Council, it will prepare an analysis for the City Council describing the rationale for the waiver and the impact of the waiver on the proposed debt issuance and on taxpayers, if applicable.
- Upon a majority vote of the City Council, one or more provisions of this Debt Policy may be waived for a debt financing.
- The failure of a debt financing to comply with one or more provisions of the Debt Policy shall in no way affect the validity of any debt issued by the City in accordance with applicable laws.



## **G. Professional Assistance**

The City shall utilize the services of independent financial advisors and bond counsel on all debt financings. The Director of Finance shall have the authority to periodically select service providers as necessary to meet legal requirements and minimize net City debt costs. Such services, depending on the type of financing, may include financial advisory, underwriting, trustee, bond counsel, disclosure counsel, verification agent, escrow agent, arbitrage consulting, continuing disclosure consultants, and special tax consulting. The goal in selecting service providers, whether through a competitive process or when appropriate, a sole-source selection, is to achieve an appropriate balance between service and cost.