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To: Lemoore City Council and Redevelopment Agency Board Item # 16
From: Jeff Briltz, City Manager
Date: February 11, 2011
Subject: Agreement Between City and RDA for Planned Programs, Projects and Administration

Discussion:

As the Council/Board are aware, significant efforts are underway at virtually all California Redevelopment Agencies to protect the tax increment that funds the programs and projects that agencies undertake. To that end, the Board has already begun the process of issuing new debt to essentially lock up a portion of the increment that is at risk. The Board has also discussed and will be considering the establishment of a Housing Authority to be the recipient of the housing set-aside should the governor's proposal become enacted. The two preceding items do a good job of protecting much of the future increment, but do little to protect current Agency funds on hand, and do not fully protect the non-housing portion (80%) of the future increment, primarily because the Agency has directed us to issue new bonds that have a debt service schedule that utilizes about one-half of the available resources for repayment.

To best protect the Agency's current cash on hand, as well as the increment not anticipated to be committed to debt service, staff, with the advice of Urban Futures, the City and Agency's Financial Advisor, has developed the attached agreement between the City and Agency. This agreement calls for the Agency to pay the City the administration and overhead costs associated with operating the Agency, as well as to fund programs and projects anticipated in the Agency's 5-Year Implementation Plan. In forecasting the expenses, staff attempted to estimate 10 years worth of expenses associated with all of the existing programs, plus expense types that are ineligible to be paid out of bond proceeds.

The agreement was modeled after a similar agreement used in Upland and has been reviewed by the City Attorney's Office. Resolutions with findings have been drafted for your consideration, which, if adopted, call for both parties to execute the agreement. You should note that the agreement can be modified in writing in the future. Finally, it is not fully known if this agreement will stand the test of "contracted" funds should the State proceed with the elimination of Redevelopment, however, it certainly allows us to make the argument that the City and Agency have the agreed upon arrangement.

Budget Impact:

Staff has estimated that the Governor's proposal to eliminate redevelopment in California puts approximately \$3.3 M of increment at risk per year. The issuance of new debt is expected to tie up about \$1.45 M annually. This leaves approximately \$1.85M at risk, plus potentially the existing funding on hand, which is estimated to be \$14,291,360 on June 30, 2011. The proposed

agreement attempts to put under contract the existing resources as well as approximately 22 years worth of the remaining at risk increment, totaling \$36,067,590 in programs and projects, as well as \$860,176 annually in overhead and administration expenses, as detailed in the cost allocation plan.

Recommendation:

- 1) That the Lemoore Redevelopment Agency Board, by motion, approve Resolution # 2011 – 02 which authorizes the Board Chairman to execute the agreement between the City and RDA concerning the Advancement and Reimbursement of funds.
- 2) That the Lemoore City Council, by motion, approve Resolution # 2011 – 08 which authorizes the Mayor to execute the agreement between the City and RDA concerning the Advancement and Reimbursement of funds.