



***OVERSIGHT BOARD FOR THE
SUCCESSOR AGENCY TO THE
ARTESIA REDEVELOPMENT AGENCY
AGENDA REPORT***

MEETING DATE: 7/3/12 CONTROL NO: ITEM NO: 4

SUBJECT: AMENDMENT TO THE FIRST AND SECOND ROPS RELATING TO THE PIONEER BOULEVARD IMPROVEMENT PROJECT AND PARKING LOT PROJECT

And

RESOLUTION NO. 0B-12-04 A RESOLUTION OF THE OVERSIGHT BOARD FOR THE SUCCESSOR AGENCY TO THE ARTESIA REDEVELOPMENT AGENCY APPROVING AMENDED RECOGNIZED OBLIGATION PAYMENT SCHEDULES PURSUANT TO HEALTH AND SAFETY CODE SECTION 34177 AND TAKING CERTAIN ACTIONS IN CONNECTION THEREWITH

FROM: SUCCESSOR AGENCY

PRESENTATION BY: JUSTINE MENZEL, DEPUTY CITY MANAGER

RECOMMENDATION

It is recommended that the Oversight Board approve Oversight Board Resolution No. 12-04, approving amended Recognized Obligation Payment Schedules.

BACKGROUND

On May 2, 2012, the Oversight Board approved the 1st and 2nd ROPS. Those ROPS were then submitted to the California Department of Finance ("DOF") for review and approval.

By letter dated May 18, 2012, the DOF informed the City that it had approved the ROPS except for four items on the 1st ROPS and three items on the 2nd ROPS. The rejected items related to demolition work to clear Parking Authority property of existing structures in preparation for the pavement of a parking lot (the "Parking Lot Project" which was one item on the 1st ROPS) and work to complete the Pioneer Boulevard Improvement Project as part of the Downtown Revitalization Project (3 items on the 1st ROPS and 3

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items on the 2nd ROPS). The basis for the DOF's denial of the demolition contract for the Parking Lot Project was that the former Redevelopment Agency did not have a written contract for the work. The basis for denial of the items for the Pioneer Boulevard Street Improvement Project was that the listed agreements were with the City rather than the former Redevelopment Agency.

On June 11, 2012, the Successor Agency adopted amendments to the 1st and 2nd ROPS by way of Resolution No. ASA 12-14. The amendments deleted the items disapproved by the DOF from the 1st and 2nd ROPS and added the anticipated costs of the demolition work for the Parking Lot Project and the Pioneer Boulevard Improvement Project as expenditures pursuant to the Advance and Reimbursement Agreement that was already listed on the 1st and 2nd ROPS. By that resolution, the Successor Agency also clarified that the expenditures under the denied items were already proper expenses under an enforceable obligation that is listed as a separate line item on both the 1st and 2nd ROPS.

The revised 1st and 2nd ROPS is now submitted to the Oversight Board for its review and approval along with a Resolution for the Oversight Board to approve the amendments to the 1st and 2nd ROPS.

DISCUSSION AND ANALYSIS

A. Background and Status of Pioneer Boulevard Improvement Project and the Demolition Work for the Parking Lot Project.

The Successor Agency to the Artesia Redevelopment Agency and the City of Artesia are in the process of implementing a critically important project that has been ten years in the making. That project is the Pioneer Boulevard Improvement Project. This project involves improving the Old Downtown area of Artesia with improvements to its main arterial roadway, Pioneer Boulevard. Those improvements include wider and decorative sidewalks, the addition of decorative street furniture, street trees, a center landscaped median and improved traffic signals. This project was the cornerstone of the former redevelopment agency's plans to revitalize the blighted area of downtown and was the principal project listed for the use of bond funds when the former Agency issued bonds in 2007. It thereafter took several years to develop plans, alternatives to them, obtain feedback and approval from the community, and eventually develop working drawings for the Project.

A companion project was to build a parking lot or parking structure to serve the Old Downtown area. A relatively small contract was awarded to a demolition contractor that the City and Agency had used in the past, and this contractor was engaged to demolish existing buildings on the property that is slated to become a parking lot of the Old Downtown Area. Both projects are integral to the former Agency's plans to revitalize the City's Old Downtown Area.

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Finally, in 2011, the Agency and City were ready to move forward with both Projects. At that time, the City and Agency approved plans and sought and obtained public bids for the Pioneer Boulevard Improvement Project in the spring of 2011. The public works project for the Pioneer Boulevard Improvement Project was awarded on August 8, 2011, and work commenced, after delays caused by a Sanitation District sewer line project, in March 2012. The project is to be paid for with unspent bond funds of the former redevelopment agency, as was originally contemplated in 2007 when the bonds were issued. The full estimated cost of the Pioneer Boulevard Improvement Project to be performed pursuant to the existing contract with Griffith Company together with contingencies for change orders and corrections is \$2.4 million. The full cost of completed demolition work for the Parking Lot Project is \$36,677.00.

Based on the DOF's rejection of the line items for this project in the ROPS on the grounds that the City rather than the Agency was the contracting party, the City has stopped the Pioneer Boulevard Improvement Project in mid-construction. Without the ability of the Successor Agency to reimburse the City for the cost of this project, the City cannot afford to complete the Project. Completion of this project by using the City funds rather than the unspent redevelopment bond funds as originally contemplated, would effectively eliminate the City's General Fund reserve (deplete it from its current level of approximately \$2.7 million to approximately \$300,000). In order to avoid that possibility, the City has stopped the project in mid-construction. At the time the City received the DOF's rejection letter, the project was in the condition shown in the photographs attached to this staff report. Since that time, work has been taken to a logical stopping point that does not pose risks to the public but still leaves the project substantially incomplete.

This is an untenable situation and one that cannot be left unresolved. The City potentially owes the contractor between \$700,000 and \$1.1 million for the work done to date with only General Fund reserve funds to pay for those costs. The City and the Griffith Company relied in good faith on the law at the time the contracts were approved and the DOF's action has effectively impaired those contracts in violation of the contractor's right not to have its contract voided by a subsequent state law.

For these reasons, the cost of these Projects should be listed as an enforceable obligation of the Agency on the 1st and 2nd ROPS through the amendments requested today for the Oversight Board's approval. The reasons the Oversight Board and the DOF should approve the cost of these projects through the amendments to the ROPS are explained in the next section of this report.

B. Background and Use of the Agency and City Advance and Reimbursement Agreement.

By way of further historical background and explanation, in 2007, the former Redevelopment Agency entered into the Advance and Reimbursement Agreement with the City by which the Redevelopment Agency agreed to reimburse the City for costs

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incurred in constructing certain listed Redevelopment Agency projects. That Agreement is for the Redevelopment Agency to reimburse the City when the City incurred costs on Agency projects. The projects and the dollar amount of those projects are listed in Exhibit A to that 2007 Agreement. The 2007 Agreement was validly entered into pursuant to the Community Redevelopment Law at that time.

In March 2011, the Agency and City entered into an Amendment to that Advance and Reimbursement Agreement by which the list of projects was revised and the dollar amounts of the estimated project costs were updated. The 2011 Amendment was entered into by the City and Redevelopment Agency before the enactment of AB X1 26 and AB X1 27. The Redevelopment Agency was fully authorized to enter into the Amendment under the Community Redevelopment Law then in effect. Upon the execution and delivery of Amendment, the Advance and Reimbursement Agreement, as amended, was a valid and binding agreement of the Redevelopment Agency such that when the City incurred costs to complete projects listed in that Agreement, the Agency became obligated to reimburse the City for those costs.

C. Reliance of City and Agency on Redevelopment Laws in Effect at the Time.

On June 29, 2011, the Governor signed AB X1 26 and AB X1 27 and both laws took effect immediately. AB X1 26 suspended redevelopment agency powers and required the dissolution of redevelopment agencies. AB X1 27 allowed cities to "Opt In" to a program by which the City would pay the state to retain its redevelopment agency. Under those laws, once a city had adopted an "Opt In" Ordinance agreeing to pay the state a specified amount of money, the city's redevelopment agency was exempt from the suspension and dissolution provisions of AB X1 26.

On August 8, 2011, the City approved through second reading, the "Opt In" ordinance agreeing to comply with AB X1 27 payments to the State. Pursuant to AB X1 26 and AB X1 27, when the City had adopted that "Opt In" Ordinance, the Agency became exempt from the dissolution provisions of AB X1 26 and regained its powers to continue its redevelopment activities. Thus, under the law in effect at that time, the Artesia Redevelopment Agency was exempted from the suspension and dissolution provisions of AB X1 26.

On August 8, 2011, both the Agency and the City approved the Pioneer Boulevard Improvement Project and approved the Griffith Company contract to carry out that Project. Even though the contract documents themselves provide that the contracting party was the City, the minutes of the joint City and Agency meeting show that both entities approved the project and contract. The City and Agency did so because at that point in time, the former Redevelopment Agency was not subject to AB X1 26, including the provisions suspending redevelopment powers and because the Advance and Reimbursement Agreement, as amended, was an effective, enforceable and legally binding agreement of the former Redevelopment Agency. Consequently, on August 8, 2011, the City's Agreement with the Griffith Company triggered the

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requirement in the previously existing (pre-June 27, 2011) Advancement and Reimbursement Agreement for the Agency to reimburse the City for costs it incurred in carrying out the Pioneer Boulevard Project, including the Griffith Company contract and other contracted services that would carry out that Project. The Agency, City and the Griffith Company all relied on that existing legal authority to enter into the contract and incur costs in justifiable reliance thereon.

The City's and Agency's action to approve that contract with the Griffith Company, and thus to invoke the obligation of the Agency to reimburse the City for that contract, occurred prior to the Supreme Court's Stay of redevelopment powers and activities on August 11, 2011.

Only when AB X1 27 was invalidated by the Court in December 2011, did the Agency become subject to part 1.85 (i.e., the AB X1 26 provisions governing the dissolution of redevelopment agencies). Pursuant to AB X1 26, the provisions invalidating most city-agency agreements, such as the Advance and Reimbursement Agreement, took effect on February 1, 2012, upon the effectiveness of Part 1.85.

In summary, between the time when the City adopted the "Opt In" Ordinance, referenced above, and the issuance of the Stay by the Supreme Court on August 11, 2011, the Redevelopment Agency had the power to engage in redevelopment activities and incur related obligations under the Community Redevelopment Law. During that period, the Advance and Reimbursement was effective and binding and the City and the Griffith Company justifiably and validly relied on that Agreement in entering into contracts to carry out the Pioneer Boulevard Improvement Project.

Similarly, the demolition work for the Parking Lot Project was contemplated as a listed project and expense in the 2007 and 2011 amendment to the Advance and Reimbursement Agreement.

Therefore the disputed agreements between the City and third parties became and should remain enforceable obligations of the Successor Agency. To conclude otherwise impairs a lawful contract between the City and a private third party in violation of constitutional principles that preclude governments from enacting laws that impair existing contracts with private third parties.

Pursuant to AB X1 26, a Successor Agency can only disburse funds pursuant to enforceable obligations listed on a ROPS approved by the Successor Agency and the Oversight Board. The DOF can disapprove items on a ROPS and return the disputed items for reconsideration by the Oversight Board if the DOF requests background documents and then acts within a limited period of time to reject the item.

The Successor Agency believes that the Advance and Reimbursement Agreement that was and still is listed on the 1st and 2nd ROPS as an enforceable obligation should be

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treated as such for those City Agreements entered into in reliance upon the Advance and Reimbursement Agreement to carry out the Pioneer Boulevard Project because all of the required actions to make it a lawful enforceable obligation had occurred prior to: (a) August 11, 2011, when the stay of RDA powers went into effect; (b) the December 29th Supreme Court's action to invalidate AB X 1 27; and (c) the February 1, 2012, dissolution of RDAs. In addition, the demolition work for the Parking Lot Project was validly made an expense under the Advance and Reimbursement Agreement and was carried out prior to the Agency's loss of redevelopment powers.

D. Budget Trailer Bill on Redevelopment (AB 1484).

On June 27, 2012, the Legislature enacted the so-called budget trailer bill for redevelopment, also known as the AB 1X 26 "clean-up" bill. That bill (AB 1484) added language to the Health & Safety Code to address contracts entered into during the "window period" between the time a City had adopted an "Opt In" Ordinance and the time redevelopment powers were suspended by the Supreme Court pursuant to its stay issued in the litigation over the validity of AB X1 26.

Specifically, the new law provides that the state will not recognize as an enforceable obligation contracts entered into by the former redevelopment agency after June 27, 2011, and during this window period between the time redevelopment agencies had regained their powers and before the California Supreme Court's stay of those powers. (Health & Safety Code § 34177.3 (d)). The legal validity of this provision will no doubt be hotly debated. Notwithstanding its questionable validity, the new provision should not be applied to the Pioneer Boulevard Improvement Project for three reasons.

First, the agreement between the Agency and the City by which the Agency became obligated to reimburse the City for costs incurred on the Pioneer Boulevard Improvement Project was adopted in 2007 and amended in March 2011. Both the adoption and amendment of that Agreement occurred prior to June 27, 2012. Consequently, the provision does not apply to exclude the Agency Agreement as being an enforceable obligation because the Agreement and its amendment were in place prior to June 27, 2011.

Second, at the time the City acted to approve the contract with the Griffith Company neither the City nor the Agency was precluded under the law at the time from doing so for the reasons mentioned earlier. Furthermore, the new provision does not directly apply to preclude cities, as distinguished from redevelopment agencies, from entering into new agreements. The provision only applies to preclude new redevelopment agency agreements. Thus, the provision does not preclude a city from entering into a contract during the "window period" and then having the Agency obligated for that cost pursuant to an Agreement entered into by the Agency prior to June 27, 2011, as was the case in this matter.

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Third, the clean-up bill also provides that Successor Agencies may create enforceable obligations to wind down the work of the Agency. (Health & Safety Code § 34177.3 (b)). The completion of the Pioneer Boulevard Improvement Project is work to be completed in winding down the work of the Agency.

In addition, the clean-up bill provides an opportunity for Successor Agencies that complete an audit process to obtain a "finding of compliance" with the law and allow Successor Agencies to use unspent bond funds for the purposes for which they were sold and in compliance with bond covenants. (Health & Safety Code § 34191.4 (c)). At that point, the law would appear to permit the Successor Agency to use its unspent bond funds to complete both the Pioneer Boulevard Improvement Project and the Parking Lot Project. However, to wait until that process is complete in order to complete the Pioneer Boulevard Improvement Project will mean that the City, Successor Agency, the Griffith Company, other parties, and the general public and businesses along Pioneer Boulevard will suffer significant financial injury, unless the Project is funded now through an amendment to the ROPS and is allowed to be completed.

The Successor Agency believes that the financial stability of the City is at risk because of the draconian and unreasonable requirements of the redevelopment dissolution law combined with the actions of the DOF. The City cannot afford to pay for the work already completed or to complete the work without seriously jeopardizing the City's ability to pay for unforeseen emergencies. The City cannot afford to incur the risk of liability under the existing contract with the Griffith Company. The Successor Agency cannot afford the cost of any litigation over this matter. For all these reasons, the Successor Agency has substantial legal and practical reasons why the DOF should allow the payment through an amendment to the ROPS.

Furthermore, if under the revised law, Successor Agencies may be allowed to use unspent bond funds, and this project would be one allowed for that use, then disapproval of a ROPS item for this Project at this time will not change the eventual outcome on this matter and only cause substantial delay, costs, risks of litigation and other problems for the City, the Successor Agency, the affected contractors and the public at large in the meantime.

Finally, approval of this ROPS amendment will have no affect on the eventual amount of property taxes or assets transferred to other taxing entities because all funds to pay for the Pioneer Boulevard Improvement Project and the Parking Lot demolition work are to be paid from unspent bond funds as specified on the ROPS and not from Property Tax Trust funds. In sum, disapproval of this item will impose unfair and great hardship on the City, the Successor Agency, the Griffith Company, the businesses along Pioneer Boulevard and the general public, but with no corresponding benefit to the state or other taxing entities.

E. Requested Action of the Oversight Board.

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The Successor Agency and the City of Artesia are asking that the 1st and 2nd Period ROPS be amended to show that the dollar amount of the Pioneer Boulevard Improvement Project and the demolition work for the Parking Lot Project be listed as expenditures under the line item on the ROPS for the Advance and Reimbursement Agreement between the City and the Agency.

Specifically, the amendments involve deleting the specific line items for the four disputed contracts but including the dollar amount of those contracts under the existing line item for the City/Agency Advance and Reimbursement Agreement. The amendments are shown on Exhibits 1 and 2 of the draft Resolution.

If approved by the Oversight Board and the Department of Finance (by direct approval or approval by default for failing to act in specified time periods), the Successor Agency can reimburse the City for the ongoing costs of the Pioneer Boulevard Improvement Project and the demolition work for the Parking Lot Project with the use of unspent bond funds that are on hand with the Successor Agency. If disapproved by the Oversight Board or the DOF, the Successor Agency will come back with a new proposal to amend the ROPS to seek other ways to have this critically improvement project approved.

Finally, by this action, neither the Successor Agency nor the Oversight Board will be asking the Department of Finance or the County Auditor to disburse any additional Property Tax Trust Funds to the Successor Agency. There will be no change in the amount of future Property Tax Trust funds flowing to other taxing entities. Rather, some of the Successor Agency's unspent bond funds will be allowed to be used for this Project as originally contemplated and as relied upon by the City when the Project contracts were approved.

For these reasons, the Successor Agency requests that the Oversight Board approve Oversight Board Resolution No. 12-04, approving amendments to the 1st and 2nd ROPS.

Attachments:

- Draft Resolution No. OB-12-04 with exhibits 1 and 2
- Successor Agency Resolution No. ASA 12-14 with Exhibits A and B
- 2007 Advance and Reimbursement Agreement
- 2011 Amendment to Advance and Reimbursement Agreement
- Photos of Pioneer Boulevard Improvement Project in mid-construction
- Rejection Letter from DOF
- Successor Agency Responses to DOF's Rejection
- Recognized Obligation Payment Schedule Approval Letter

RESOLUTION NO. OB-12-04

A RESOLUTION OF THE OVERSIGHT BOARD FOR THE SUCCESSOR AGENCY TO THE ARTESIA REDEVELOPMENT AGENCY APPROVING AMENDED RECOGNIZED OBLIGATION PAYMENT SCHEDULES PURSUANT TO HEALTH AND SAFETY CODE SECTION 34177 AND TAKING CERTAIN ACTIONS IN CONNECTION THEREWITH

RECITALS:

A. AB X1 26 and AB X1 27 were signed by the Governor of California on June 29, 2011, making certain changes to the Community Redevelopment Law (Part 1 (commencing with Section 33000) of Division 24 of the California Health and Safety Code) (the "Redevelopment Law"), including adding Part 1.8 (commencing with Section 34161) ("Part 1.8") and Part 1.85 (commencing with Section 34170) ("Part 1.85").

B. The California Redevelopment Association and League of California Cities filed a lawsuit in the Supreme Court of California (*California Redevelopment Association, et al. v. Matosantos, et al.* (Case No. S194861)) alleging that AB X1 26 and AB X1 27 are unconstitutional. On December 29, 2011, the Supreme Court issued its opinion in the Matosantos case largely upholding AB X1 26, invalidating AB X1 27, and holding that AB X1 26 may be severed from AB X1 27 and enforced independently.

C. The Supreme Court generally revised the effective dates and deadlines for performance of obligations in Part 1.85 arising before May 1, 2012, to take effect four months later.

D. As a result of the Supreme Court's decision, the Artesia Redevelopment Agency (the "Redevelopment Agency"), a redevelopment agency in the City of Artesia (the "City"), created pursuant to the Redevelopment Law, was dissolved pursuant to Part 1.85 on February 1, 2012.

E. By its Resolution No. 11-2299, adopted on August 29, 2011, the City Council of the City made an election to serve as the successor agency for the Redevelopment Agency under Part 1.85 (the "Successor Agency").

F. By its Resolution No. ASA 12-01, adopted on February 13, 2012, the City Council, acting as the governing board for the Successor Agency, established rules and regulations applicable to the governance and operation of the Successor Agency, and pursuant to such resolution provided that the Successor Agency will be governed by a Board of Directors (the "Board") consisting of the members of the City Council of the City.

G. Health and Safety Code Section 34177(1), as modified by the California Supreme Court, provides that by March 1, 2012, the Successor Agency must prepare a draft initial

Recognized Obligation Payment Schedule ("ROPS") for the enforceable obligations of the former Redevelopment Agency, in accordance with the requirements of Section 34177(l). The certified Recognized Obligation Payment Schedule must be submitted to and approved by the oversight board. Finally, after approval by the oversight board, a copy of the approved Recognized Obligation Payment Schedule must be submitted to the county auditor-controller, the State Controller and the State Department of Finance ("DOF"), and be posted on the Successor Agency's web site.

H. On September 26, 2011, the former Artesia Redevelopment Agency adopted a draft ROPS. Thereafter, on April 9, 2012, the Successor Agency adopted the ROPS for the January 1, 2012 through June 30, 2012 period ("1st ROPS") and the July 1, 2012 through December 31, 2012 period ("2nd ROPS").

I. On May 2, 2012, the Oversight Board approved the 1st and 2nd ROPS and those ROPS were submitted to the California Department of Finance ("DOF") for review and approval. Thereafter, those Oversight Board adopted ROPS were thereafter updated and amended by the Successor Agency on May 14, 2012.

J. By letter dated May 18, 2012, the DOF informed the City that it had approved the ROPS except for four items on the 1st ROPS and three items on the 2nd ROPS. These rejected items related to demolition work to clear the property in preparation for the pavement of a parking lot (one item on the 1st ROPS) and work to complete the Pioneer Boulevard Street Improvement Project as part of the Downtown Revitalization Project (3 items on the 1st ROPS and 3 items on the 2nd ROPS). The basis for the denial of the demolition contract was that the former Redevelopment Agency did not have a written contract for the work. The basis for denial of the items for the Pioneer Boulevard Street Improvement Project was that the listed agreements were with the City rather than the former Redevelopment Agency.

K. On May 22, 2102 and May 23, 2012, the Successor Agency staff submitted letters to the DOF asking for reconsideration of its action based on the rationale that the Advance and Reimbursement Agreement listed in the 1st and 2nd ROPS should be allowed to cover those City Agreements that were disallowed by DOF because those obligations were a valid and legally binding obligation of the former Redevelopment Agency at the time those contracts were approved by the City. To date, the Successor Agency has not received a response to its request to the DOF for reconsideration. On May 25, 2012, the Successor Agency was informed that the 1st and 2nd ROPS was approved excluding the disputed items.

L. On June 11, 2012, the Successor Agency adopted amendments to the 1st and 2nd ROPS by way of Resolution No. ASA 12-14. The amendments deleted the items disapproved by the DOF from the 1st and 2nd ROPS and added the anticipated costs of the Pioneer Boulevard Project as expenditures pursuant to the Advance and Reimbursement Agreement that was already listed on the 1st and 2nd ROPS. By that resolution, the Successor Agency also clarified that the expenditures under the denied items were already proper expenses under an enforceable obligation that is listed as a separate line item on both the 1st and 2nd ROPS.

M. As part of its approval of the amendments to the 1st and 2nd ROPS, the Successor Agency Board found that the former Redevelopment Agency was contractually obligated to pay for the City's costs of these contracts pursuant to an Advance and Reimbursement Agreement between the former Agency and the City that was entered into in 2007 and amended in March 2011, which Agreement was a valid and binding obligation of the former Redevelopment Agency when the City approved those contracts. Therefore, the proposed amendments to the 1st and 2nd ROPS are intended to make clear that the dollar amounts for those contracts are the dollar amount that the Agency owed the City under the Advance and Reimbursement Agreement as of August 8, 2011.

N. The Oversight Board concurs with the Successor Agency's findings and determinations and desires to adopt this Resolution approving an amended Recognized Obligation Payment Schedule.

NOW, THEREFORE, THE OVERSIGHT BOARD FOR THE SUCCESSOR AGENCY TO THE ARTESIA REDEVELOPMENT AGENCY, HEREBY FINDS, DETERMINES, RESOLVES, AND ORDERS AS FOLLOWS:

Section 1. The above recitals are true and correct and are a substantive part of this Resolution.

Section 2. The Oversight Board makes the following additional findings in connection with the amendments to the 1st and 2nd ROPS:

A. In 2007, the former Redevelopment Agency entered into the Advance and Reimbursement Agreement with the City by which the Redevelopment Agency agreed to reimburse the City for costs incurred in constructing certain listed Redevelopment Agency projects. This Agreement is not an agreement for the City to loan money to the Redevelopment Agency but rather an agreement for the Redevelopment Agency to reimburse the City when the City incurred costs on Agency projects. The projects and the dollar amount of those projects are listed in Exhibit A to that 2007 Agreement. The 2007 Agreement was validly entered into pursuant to the Community Redevelopment Law at that time.

B. In March 2011, the Agency and City entered into an Amendment to that Advance and Reimbursement Agreement by which the list of projects was revised and the dollar amounts of the estimated project costs were updated. The 2011 Amendment was entered into by the City and Redevelopment Agency before the enactment of AB X1 26 and AB X1 27. The Redevelopment Agency was fully authorized to enter into the Amendment under the Community Redevelopment Law then in effect. Upon the execution and delivery of Amendment, the Advance and Reimbursement Agreement, as amended, was a valid and binding agreement of the Redevelopment Agency.

C. On August 8, 2011, the City approved through second reading, the "Opt In" ordinance agreeing to comply with AB X1 27 payments to the State. Thus, under the law in

effect at that time, the Artesia Redevelopment Agency was exempted from the suspension and dissolution provisions of AB X1 26.

D. On August 8, 2011, the City approved the Pioneer Boulevard Project and approved the Griffith Company contract to carry out that Project. The City did so because at that point in time, the former Redevelopment Agency was not subject to AB X1 26, including the provisions suspending redevelopment powers and the Advance and Reimbursement Agreement, as amended, was an effective, enforceable and legally binding agreement of the former Redevelopment Agency. Consequently, on August 8, 2011, the City's Agreement with the Griffith Company triggered the requirement in the previously existing (pre-June 27, 2011) Advancement and Reimbursement Agreement for the Agency to reimburse the City for costs it incurred in carrying out the Pioneer Boulevard Project, including the Griffith Company contract and other contracted services that would carry out that Project.

E. The City's action to approve that contract with the Griffith Company, and thus to invoke the obligation of the Agency to reimburse the City for that contract, occurred prior to the Supreme Court's Stay of redevelopment powers and activities on August 11, 2011.

F. Only when AB X1 27 was invalidated by the Court in December 2011, the Agency became subject to part 1.85 (i.e., the AB X1 26 provisions governing the dissolution of redevelopment agencies). Pursuant to AB X1 26, the provisions invalidating most city-agency agreements such as the Advance and Reimbursement Agreement only took effect on February 1, 2012, upon the effectiveness of Part 1.85.

G. Between the time when the City adopted the "Opt In" Ordinance, referenced in Paragraph C of this Section, and the issuance of the Stay by the Supreme Court on August 11, 2011, the Redevelopment Agency had the power to engage in redevelopment activities and incur related obligations under the Community Redevelopment Law. During that period, the Advance and Reimbursement was effective and binding and the City and the City's contractors justifiably and validly relied on the Agreement. Therefore the three disputed agreements between the City and third parties became and should remain enforceable obligations of the Successor Agency.

H. The Advance and Reimbursement Agreement is listed on the 1st and 2nd ROPS as an enforceable obligation and should be treated as such for those City Agreements entered into in reliance on the Advance and Reimbursement Agreement to carry out the Pioneer Boulevard Project because all of the required actions to make it a lawful enforceable obligation had occurred prior to: (a) August 11, 2011, when the stay of RDA powers went into effect; (b) the December 29th Supreme Court's action to invalidate AB X 1 27; and (c) the February 1, 2012, dissolution of RDAs.

I. On June 27, 2012, the Legislature enacted the so-called budget trailer bill for redevelopment, also known as the AB 1X 26 "clean-up" bill. That bill (AB 1484) added language to the Health & Safety Code to address contracts entered into during the "window period" between the time a City had adopted an "Opt In" Ordinance and the time redevelopment

powers were suspended by the Supreme Court pursuant to its stay issued in the litigation over the validity of AB X1 26. The “clean-up” bill provides that the state will not recognize as an enforceable obligation contracts entered into by the former redevelopment agency after June 27, 2011 and during this window period between the time redevelopment agencies had regained their powers and before the California Supreme Court’s stay of those powers. (Health & Safety Code § 34177.3 (d)) The Oversight Board finds that the new provision should not be applied to the Pioneer Boulevard Improvement Project for three reasons:

(1) The agreement between the Agency and the City by which the Agency became obligated to reimburse the City for costs incurred on the Pioneer Boulevard Improvement Project was adopted in 2007 and amended in March 2011. Both the adoption and amendment of that Agreement occurred prior to June 27, 2012. Consequently, the provision does not apply to exclude the Agency Agreement as being an enforceable obligation because the Agreement and its amendment were in place prior to June 27, 2011.

(2) At the time the City acted to approve the contract with the Griffith Company neither the City nor the Agency was precluded under the law at the time from doing so for the reasons mentioned earlier. Furthermore, the new provision does not directly apply to preclude cities, as distinguished from redevelopment agencies, from entering into new agreements. The provision only applies to preclude new redevelopment agency agreements. Thus, the provision does not preclude a city from entering into a contract during the “window period” and then having the Agency obligated for that cost pursuant to an Agreement entered into by the Agency prior to June 27, 2011, as was the case in this matter.

(3) The “clean-up” bill also provides that Successor Agencies may create enforceable obligations to wind down the work of the Agency. (Health & Safety Code § 34177.3 (b)). The completion of the Pioneer Boulevard Improvement Project is work to be completed in winding down the work of the Agency.

J. The Oversight Board further finds that if the “clean-up” bill provides an opportunity for Successor Agencies that complete an audit process to obtain a “finding of compliance” with the law, then the clean-up bill may allow the Successor Agencies to use unspent bond funds for the purposes for which they were sold and in compliance with bond covenants. (Health & Safety Code § 34191.4 (c)). At that point, the law would appear to permit the Successor Agency to use its unspent bond funds to complete both the Pioneer Boulevard Improvement Project and the Parking Lot Project. To wait until that process is complete in order to complete the Pioneer Boulevard Improvement Project will mean that the City, Successor Agency, the Griffith Company, other parties, and the general public and businesses along Pioneer Boulevard will suffer significant financial injury, unless the Project is funded now through an amendment to the ROPS and is allowed to be completed.

K. The Oversight Board concurs with the Successor Agency that the financial stability of the City is at risk because of the draconian and unreasonable requirements of the redevelopment dissolution law combined with the disapproval of the identified items on the

Successor Agency's ROPS. The Oversight Board understands that the City cannot afford to pay for the work already completed or to complete the work without seriously jeopardizing the City's ability to pay for unforeseen emergencies. The Oversight Board also understands that the City cannot afford to incur the risk of liability under the existing contract with the Griffith Company and that the Successor Agency cannot afford the cost of any litigation over this matter. For all these reasons, the Oversight Board concurs with the Successor Agency that there are substantial legal and practical reasons why the DOF should allow the payment through an amendment to the ROPS.

L. Therefore, the expenditures and continuing expenditures under those three City agreements for the Pioneer Boulevard Project should be approved as enforceable obligations by listing the dollar amount of those contracts under the line items for the Advance and Reimbursement Agreement.

M. The same rationale applies to the Tim Greenleaf contract as it applies to the Parking Structure Project that is also listed on the Exhibit to the Advance and Reimbursement Agreement which project was approved and thus an obligation of the former Redevelopment Agency prior to the suspension of redevelopment powers on August 11, 2011.

Section 3. This Resolution is adopted pursuant to Health and Safety Code Section 34177.

Section 4. Based on all the facts and findings contained in this Resolution and all the evidence in the record of this matter, the Oversight Board hereby approves the amendments to the 1st ROPS and 2nd ROPS substantially in the form attached as Exhibits 1 and 2 to this Resolution and incorporated herein by reference (the "Amendments to ROPS").

Section 5. The Oversight Board hereby confirms its previous designation of the deputy city manager/finance officer as the official to whom the DOF may make requests for review in connection with the Amendments to ROPS and who shall provide the DOF with the telephone number and e-mail contact information for the purpose of communicating with the DOF.

Section 6. The officers and staff of the Successor Agency are hereby authorized and directed, jointly and severally, to do any and all things which they may deem necessary or advisable to effectuate this Resolution, including submitting the amendments to ROPS to the DOF for review, and any such actions previously taken by such officers are hereby ratified and confirmed.

PASSED AND ADOPTED this 3rd day of July, 2012.

William A. Holt, Chairman

ATTEST:

Gloria Considine, Secretary

RESOLUTION NO. ASA 12-14

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE SUCCESSOR AGENCY TO THE ARTESIA REDEVELOPMENT AGENCY APPROVING AMENDED RECOGNIZED OBLIGATION PAYMENT SCHEDULES PURSUANT TO HEALTH AND SAFETY CODE SECTION 34177 AND TAKING CERTAIN ACTIONS IN CONNECTION THEREWITH

RECITALS:

A. AB X1 26 and AB X1 27 were signed by the Governor of California on June 29, 2011, making certain changes to the Community Redevelopment Law (Part 1 (commencing with Section 33000) of Division 24 of the California Health and Safety Code) (the "Redevelopment Law"), including adding Part 1.8 (commencing with Section 34161) ("Part 1.8") and Part 1.85 (commencing with Section 34170) ("Part 1.85").

B. The California Redevelopment Association and League of California Cities filed a lawsuit in the Supreme Court of California (*California Redevelopment Association, et al. v. Matosantos, et al.* (Case No. S194861)) alleging that AB X1 26 and AB X1 27 are unconstitutional. On December 29, 2011, the Supreme Court issued its opinion in the Matosantos case largely upholding AB X1 26, invalidating AB X1 27, and holding that AB X1 26 may be severed from AB X1 27 and enforced independently.

C. The Supreme Court generally revised the effective dates and deadlines for performance of obligations in Part 1.85 arising before May 1, 2012, to take effect four months later.

D. As a result of the Supreme Court's decision, the Artesia Redevelopment Agency (the "Redevelopment Agency"), a redevelopment agency in the City of Artesia (the "City"), created pursuant to the Redevelopment Law, was dissolved pursuant to Part 1.85 on February 1, 2012.

E. By its Resolution No. 11-2299, adopted on August 29, 2011, the City Council of the City made an election to serve as the successor agency for the Redevelopment Agency under Part 1.85 (the "Successor Agency").

F. By its Resolution No. ASA 12-01, adopted on February 13, 2012, the City Council, acting as the governing board for the Successor Agency, established rules and regulations applicable to the governance and operation of the Successor Agency, and pursuant to such resolution provided that the Successor Agency will be governed by a Board of Directors (the "Board") consisting of the members of the City Council of the City.

G. Health and Safety Code Section 34177(l), as modified by the California Supreme Court, provides that by March 1, 2012, the Successor Agency must prepare a draft initial Recognized Obligation Payment Schedule ("ROPS") for the enforceable obligations of the former Redevelopment Agency, in accordance with the requirements of Section 34177(l). The draft schedule must be reviewed and certified, as to its accuracy, by an external auditor designated at the county auditor-controller's direction pursuant to Health and Safety Code Section 34182. The certified Recognized Obligation Payment Schedule must be submitted to and approved by the oversight board. Finally, after approval by the oversight board, a copy of the approved Recognized Obligation Payment Schedule must be submitted to the county auditor-controller, the State Controller and the State Department of Finance ("DOF"), and be posted on the Successor Agency's web site.

H. On September 26, 2011, the former Artesia Redevelopment Agency adopted a draft ROPS. Thereafter, on April 9, 2012, the Successor Agency adopted the ROPS for the January 1, 2012 through June 30, 2012 period ("1st ROPS") and the July 1, 2012 through December 31, 2012 period ("2nd ROPS").

I. On May 2, 2012, the Oversight Board approved the 1st and 2nd ROPS and those ROPS were submitted to the California Department of Finance ("DOF") for review and approval. Thereafter, those Oversight Board adopted ROPS were thereafter updated and amended by the Successor Agency on May 14, 12

J. By letter dated May 18, 2012, the DOF informed the City that it had approved the ROPS except for four items on the 1st ROPS and three items on the 2nd ROPS. These rejected items related to demolition work to clear the property in preparation for the pavement of a parking lot (one item on the 1st ROPS) and work to complete the Pioneer Boulevard Street Improvement Project as part of the Downtown Revitalization Project (3 items on the 1st ROPS and 3 items on the 2nd ROPS). The basis for the denial of the demolition contract was that the former Redevelopment Agency did not have a written contract for the work. The basis for denial of the items for the Pioneer Boulevard Street Improvement Project was that the listed agreements were with the City rather than the former Redevelopment Agency.

K. On May 22, 2102 and May 23, 2012, the Successor Agency staff submitted letters to the DOF asking for reconsideration of its action based on the rationale that the Advance and Reimbursement Agreement listed in the 1st and 2nd ROPS should be allowed to cover those City Agreements that were disallowed by DOF because those obligations were a valid and legally binding obligation of the former Redevelopment Agency at the time those contracts were approved by the City. To date, the Successor Agency has not received a response to its request to the DOF for reconsideration. On May 25, 2012, the Successor Agency was informed that the 1st and 2nd ROPS was approved excluding the disputed items.

L. Based on the DOF rejection of the seven items mentioned above, Successor Agency staff requests the Successor Agency Board to amend the 1st and 2nd ROPS to clarify that the expenditures under the denied items are proper expenses under an enforceable obligation that is listed as a separate line item on both the 1st and 2nd ROPS.

M. The Successor Agency Board finds that the former Redevelopment Agency was contractually obligated to pay for the City's costs of these contracts pursuant to an Advance and Reimbursement Agreement between the former Agency and the City, which Agreement was a valid and binding obligation of the former Redevelopment Agency when the City approved those contracts. Therefore, the proposed amendments to the 1st and 2nd ROPS are intended to make clear that the dollar amounts for those contracts are the dollar amount that the Agency owed the City under the Advance and Reimbursement Agreement as of August 8, 2011.

N. Accordingly, the Board desires to adopt this Resolution approving an amended Recognized Obligation Payment Schedule.

NOW, THEREFORE, THE BOARD OF DIRECTORS OF THE SUCCESSOR AGENCY TO THE ARTESIA REDEVELOPMENT AGENCY, HEREBY FINDS, DETERMINES, RESOLVES, AND ORDERS AS FOLLOWS:

Section 1. The above recitals are true and correct and are a substantive part of this Resolution.

Section 2. The Successor Agency Board makes the following additional findings in connection with the amendments to the 1st and 2nd ROPS:

A. In 2007, the former Redevelopment Agency entered into the Advance and Reimbursement Agreement with the City by which the Redevelopment Agency agreed to reimburse the City for costs incurred in constructing certain listed Redevelopment Agency projects. This Agreement is not an agreement for the City to loan money to the Redevelopment Agency but rather an agreement for the Redevelopment Agency to reimburse the City when the City incurred costs on Agency projects. The projects and the dollar amount of those projects are listed in Exhibit A to that 2007 Agreement. The 2007 Agreement was validly entered into pursuant to the Community Redevelopment Law at that time.

B. In March 2011, the Agency and City entered into an Amendment to that Advance and Reimbursement Agreement by which the list of projects was revised and the dollar amounts

of the estimated project costs were updated. The 2011 Amendment was entered into by the City and Redevelopment Agency before the enactment of AB X1 26 and AB X1 27. The Redevelopment Agency was fully authorized to enter into the Amendment under the Community Redevelopment Law then in effect. Upon the execution and delivery of Amendment, the Advance and Reimbursement Agreement, as amended, was a valid and binding agreement of the Redevelopment Agency.

C. On August 8, 2011, the City approved through second reading, the "Opt In" ordinance agreeing to comply with AB X1 27 payments to the State. Thus, under the law in effect at that time, the Artesia Redevelopment Agency was exempted from the suspension and dissolution provisions of AB X1 26.

D. On August 8, 2011, the City approved the Pioneer Boulevard Project and approved the Griffith Company contract to carry out that Project. The City did so because at that point in time, the former Redevelopment Agency was not subject to AB X1 26, including the provisions suspending redevelopment powers and the Advance and Reimbursement Agreement, as amended, was an effective, enforceable and legally binding agreement of the former Redevelopment Agency. Consequently, on August 8, 2011, the former Redevelopment Agency became contractually committed to reimburse the City for costs it incurred in carrying out the Pioneer Boulevard Project, including the Griffith Company contract and other contracted services that would carry out that Project.

E. The City's action to approve that contract with the Griffith Company, and thus to invoke the obligation of the Agency to reimburse the City for that contract, occurred prior to the Supreme Court's Stay of redevelopment powers and activities on August 11, 2011.

F. Only when AB X1 27 was invalidated by the Court in December 2011, the Agency became subject to part 1.85 (i.e., the AB X1 26 provisions governing the dissolution of redevelopment agencies). Pursuant to AB X1 26, the provisions invalidating most city-agency agreements such as the Advance and Reimbursement Agreement only took effect on February 1, 2012, upon the effectiveness of Part 1.85.

G. Between the time when the City adopted the "Opt In" Ordinance, referenced in Paragraph C of this Section, and the issuance of the Stay by the Supreme Court on August 11, 2011, the Redevelopment Agency had the power to engage in redevelopment activities and incur related obligations under the Community Redevelopment Law. During that period, the Advance and Reimbursement was effective and binding and the City justifiably and validly relied on the Agreement. Therefore the three disputed agreements became and should remain enforceable obligations of the Successor Agency.

H. The Advance and Reimbursement Agreement is listed on the 1st and 2nd ROPS as an enforceable obligation and should be treated as such for those City Agreements entered into in reliance on the Advance and Reimbursement Agreement to carry out the Pioneer Boulevard Project because all of the required actions to make it a lawful enforceable obligation had occurred prior to: (a) August 11, 2011, when the stay of RDA powers went into effect; (b) the December 29th Supreme Court's action to invalidate AB X 1 27; and (c) the February 1, 2012, dissolution of RDAs.

I. Therefore, the expenditures and continuing expenditures under those three City agreements for the Pioneer Boulevard Project should be approved as enforceable obligations either with the dollar amounts for those contracts listed as they are on the ROPS or by including the dollar amount of those contracts under the line items for the Advance and Reimbursement Agreement.

J. The same rationale applies to the Greenleaf contract as it applies to the Parking Structure Project that is also listed on the Exhibit to the Advance and Reimbursement Agreement which project was approved and thus an obligation of the former Redevelopment Agency prior to the suspension of redevelopment powers on August 11, 2011.

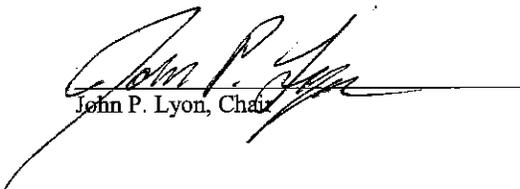
Section 3. This Resolution is adopted pursuant to Health and Safety Code Section 34177.

Section 4. Based on all the facts and findings contained in this Resolution and all the evidence in the record of this matter, the Board hereby approves the amended 1st ROPS and 2nd ROPS substantially in the form attached as Exhibits A and B to this Resolution and incorporated herein by reference (the "Amended ROPS"). The Executive Director of the Successor Agency, in consultation with the Successor Agency's legal counsel, may modify the Amended ROPS as the Executive Director or the Successor Agency's legal counsel deems necessary or advisable.

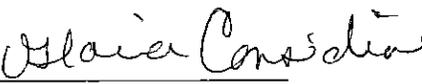
Section 5. The Board hereby confirms its previous designation of the deputy city manager/finance officer as the official to whom the DOF may make requests for review in connection with the Amended ROPS and who shall provide the DOF with the telephone number and e-mail contact information for the purpose of communicating with the DOF.

Section 6. The officers and staff of the Successor Agency are hereby authorized and directed, jointly and severally, to do any and all things which they may deem necessary or advisable to effectuate this Resolution, including submitting the amended ROPS to the oversight board for approval, and any such actions previously taken by such officers are hereby ratified and confirmed.

PASSED AND ADOPTED this 11th day of June, 2012.


John P. Lyon, Chair

ATTEST:


Gloria Considine, Secretary

I, Gloria Considine, Secretary of the City of Artesia Successor Agency to the Redevelopment Agency, do hereby certify that the foregoing resolution was introduced and adopted at an Special Meeting of the Successor Agency to the Redevelopment Agency of the City of Artesia held on the 11th day of June, 2012 by the following roll call vote:

AYES: AGENCY MEMBERS: Canales, Lima, Manalo, Lyon and Flowers
NOES: AGENCY MEMBERS: None
ABSENT: AGENCY MEMBERS: None
ABSTAIN: AGENCY MEMBERS: None


Gloria Considine, Secretary

AMENDED RECOGNIZED OBLIGATION PAYMENT SCHEDULE

Per AB 26 - Section 34177 (*)

Amended items are highlighted. All other items have already been previously approved by the Department of Finance per letters dated 5/18/2012 and 5/25/2012.

Project Name / Debt Obligation	Payee	Description	Total Outstanding Debt or Obligation	Total Due During Fiscal Year 2011-2012**	Funding Source***	First ROPS Schedule Payments by month for 2012						Total
						Jan	Feb	Mar	Apr	May	Jun	
1) Administration	Employees of Agency	Payroll for employees of RDA	6,274.00	47,054.50	TI/Admn	6,274.00						6,274.00
2) Administration	Employees of Agency	Payroll for employees of SA	34,506.50	34,506.50	TI/Admn	6,274.00	6,274.00	6,274.00	6,274.00	6,274.00	9,411.00	34,507.00
3) Administration	ICSC/CRA	Membership dues	1,940.00	2,735.00	TI/Admn	1,790.00						1,790.00
4) Administration	Post office	Newsletter postage	760.00	760.00	TI/Admn				390.00			390.00
5) Administration	Novwalk Printing	Newsletter printing	1,400.00	1,400.00	TI/Admn				700.00			700.00
6) Administration	Chamber of Commerce	Business resource assistance	1,250.00	3,000.00	TI/Admn	250.00	250.00	250.00	250.00	250.00	250.00	1,250.00
7) Administration	12MilesOut	Internet cable/broadcast meetings	750.00	1,800.00	TI/Admn	150.00	150.00	150.00	150.00	150.00	150.00	750.00
8) Administration	Clint/Duplessa	Lobbyist	12,195.66	24,144.00	TI/Admn	2,125.60	2,022.06	2,012.00	2,012.00	2,012.00	2,012.00	10,193.66
9) Administration	C&L CPAs	Auditors RDA	115.00	6,153.00	TI/Admn	115.00						115.00
10) Administration	Cr&L CPAs	Auditors SA	597.00	597.00	TI/Admn	597.00						597.00
11) Administration	Deb's Bookkeeper	Specialized accounting/reporting	1,196.00	1,196.00	TI/Admn	1,196.00						1,196.00
12) Administration	Richards, Watson.....	Legal services RDA	2,395.92	27,741.30	TI/Admn	2,395.92						2,395.92
13) Administration	Richards, Watson.....	Legal services SA	39,604.08	39,604.08	TI/Admn	21,604.08	6,000.00	6,000.00	6,000.00	6,000.00	6,000.00	39,604.08
14) Administration	Urban Futures, Inc.	Continuing disclosures for 2 bonds	4,000.00	4,000.00	TI/Admn	4,000.00						4,000.00
15) Administration	Hdt. & Assoc.	AB1290 Calculations	500.00	1,000.00	TI/Admn			500.00				500.00
16) Administration	Urban Futures, Inc.	Professional consulting	0.00	10,000.00	TI/Admn							0.00
17) Administration	Kelly Associates	Professional consulting	0.00	6,761.00	TI/Admn							0.00
18) Administration	City of Artesia	Value of land; public owned Impr.	9,482,291.00	1,000,000.00	Bonds			8,260.00			1,000,000.00	1,000,000.00
19) Contract	HB&A Architect	Public Works yard project services	11,880.00	11,880.00	Bonds			3,820.00				3,820.00
20) Contract	Hogle-Ireland	Artesia Blvd. Specific Plan	5,372.00	5,372.00	Bonds			5,372.00				5,372.00
21) Contract	Edge Construction	Management for PW yard constr.	49,500.00	49,500.00	Bonds			38,250.00				38,250.00
22) Contract	Newman Midland Constr.	Public Works yard construction	1,170,174.00	1,170,174.00	Bonds			229,146.80			357,400.00	357,400.00
23) Contract	Tri-Specialized Eng.	Demolition of parking sites	949	949	Bonds			122,087.20				122,087.20
24) Contract	Griffith Co.	Plaster-Dewinton Construction	949	949	Bonds			Payment amount(s) eliminated per DOF's 5/18/2012 letter****				0.00
25) Contract	TGR Geotechnical Inc.	Environmental, laboratory, & field svc.	17,568.00	17,568.00	Bonds			10,002.00				10,002.00
26) Contract	Trafic Safety Engineers	Inspr. sign, timing, elect. eng. services	949	949	Bonds			Payment amount(s) eliminated per DOF's 5/18/2012 letter****				0.00
27) Contract	A.C.C. Civil Engineers	Inspr. & civil engineering service	949	949	Bonds			Payment amount(s) eliminated per DOF's 5/18/2012 letter****				0.00
28) Contract/Project Admn.	Employees of Agency	Payroll for project oversight	132,529.00	66,264.50	Bonds	10,184.54	10,184.54	10,184.54	10,184.54	10,184.54	15,281.80	66,264.50
29) 2007 Tax Allocation Bond	Wells Fargo Trustee	Non-housing projects	26,382,607.00	806,216.00	TI/Bonds			468,108.00				468,108.00
30) 2009 Tax Allocation Bond	Wells Fargo Trustee	Housing projects	9,794,646.00	282,670.00	TI/Bonds			151,285.00				151,285.00
Totals - This Page			\$ 47,134,011.16	\$ 3,622,104.88		\$ 505,389.46	\$ 142,674.34	\$ 354,881.48	\$ 363,870.54	\$ 644,273.54	\$ 1,034,204.80	\$ 3,045,494.16
Totals - Page 2			\$0.00	\$0.00		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Totals - Page 3			\$0.00	\$0.00		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Totals - Page 4			\$0.00	\$0.00		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Totals - Other Obligations			\$0.00	\$0.00		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Grand total - All Pages			\$ 47,134,011.16	\$ 3,622,104.88		\$ 505,389.46	\$ 142,674.34	\$ 354,881.48	\$ 363,870.54	\$ 644,273.54	\$ 1,034,204.80	\$ 3,045,494.16

*Subsequent approval by Oversight Board before the final ROPS is submitted to the State Controller and State Department of Finance

**All total due during fiscal year and payment amounts are projected

***Funding sources from the successor agency

****Item 18 was on previously approved ROPS. Payment amounts were not previously shown and have been added on this amended ROPS to include obligations to be paid by the Successor Agency, which were previously listed as separate line items referencing the payee under contracts between the payees and the City.

*****Payment amounts for items 23, 24, 26 and 27 eliminated pursuant to DOF's 5/18/2012 letter. These amounts now properly listed under item 18 pursuant to Successor Agency Governing Board Resolution No. ASA 12-12 and Oversight Board Resolution No. 12-01.

Exhibit A

Name of Agency: Successor Agency to Artesia Redevelopment Agency
 Project Area(s): All

AMENDED RECOGNIZED OBLIGATION PAYMENT SCHEDULE

Per AB 26 - Section 34177 (*)

Amended items are highlighted. All other items have already been previously approved by the Department of Finance per letters dated 5/18/2012 and 5/25/2012.

Project Name / Debt Obligation	Payee	Description	Total Outstanding Debt or Obligation	Total Due During Fiscal Year 2012-2013**	Funding Source***	Second ROPS Schedule Payments by month for 2012							Total
						Jul	Aug	Sep	Oct	Nov	Dec		
1) Administration	Employees of Agency	Payroll for employees	50,290.00	100,579.00	Admin	7,736.92	7,736.92	7,736.92	7,736.92	11,655.36	7,736.92	60,289.98	
2) Administration	Chamber of Commerce	Business resource assistance	1,500.00	3,000.00	Admin	250.00	250.00	250.00	250.00	250.00	250.00	1,500.00	
3) Administration	City of Culiacas	Loan/fees	12,072.00	24,144.00	Admin	2,012.00	2,012.00	2,012.00	2,012.00	2,012.00	2,012.00	12,072.00	
4) Administration	OPA firm	Auditors	13,000.00	13,000.00	Admin	6,500.00	6,500.00	6,500.00	6,500.00	6,500.00	6,500.00	13,000.00	
5) Administration	Deak's Bookkeeping	Specialized accounting/reporting	3,350.00	3,750.00	Admin	1,000.00	1,000.00	2,250.00	2,250.00	5,000.00	5,000.00	3,350.00	
6) Administration	Richard's, Hester.....	Legal services	30,000.00	60,000.00	Admin	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	30,000.00	
7) Administration	Wells Fargo	Bond Trustee annual fee	4,800.00	4,800.00	Admin	2,400.00	2,400.00	2,400.00	2,400.00	2,400.00	2,400.00	4,800.00	
8) Administration	Kelly Associates	Professional consulting	30,000.00	60,000.00	Admin	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	30,000.00	
9) Administration	Urban Futures	Professional consulting	1,500.00	3,000.00	Admin	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	
10) Adv./Reimb. Agreement****	City of Artesia	Value of land, public owned Impr.	6,462,231.00	1,611,892.00	Bonds	151,000.00	322,473.00	322,473.00	322,473.00	322,473.00	151,000.00	1,611,892.00	
11) 2009 Bond	Wells Fargo	Interest payment	26,362,607.00	603,420.50	RP/TF	322,473.00	322,473.00	322,473.00	322,473.00	322,473.00	322,473.00	3,353,372.50	
12) 2009 Bond	Wells Fargo	Interest payment	9,794,646.00	281,800.00	RP/TF	322,473.00	322,473.00	322,473.00	322,473.00	322,473.00	322,473.00	3,353,372.50	
13) Contract	Griffith Co.	Plumbing/Downsizing/Construction	0.00	0.00	Bonds	130,515.00	130,515.00	130,515.00	130,515.00	130,515.00	130,515.00	130,515.00	
14) Contract	Griffith Co.	Plumbing/Downsizing/Construction	0.00	0.00	Bonds	130,515.00	130,515.00	130,515.00	130,515.00	130,515.00	130,515.00	130,515.00	
15) Contract	A.G.E. Civil Engineers	Insps-& civil engineering services	0.00	0.00	Bonds	10,172.76	10,172.76	10,172.76	10,172.76	10,172.76	10,172.76	10,172.76	
16) Contract/Proj. Admin.	Employees of Agency	Payroll for project oversight	132,246.00	66,123.00	Bonds	10,172.76	10,172.76	10,172.76	10,172.76	16,259.14	10,172.76	66,122.54	
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Totals - This Page			\$ 44,918,692.00	\$ 3,035,310.50		\$ 201,077.68	\$ 354,144.68	\$ 352,644.68	\$ 354,894.68	\$ 853,927.02	\$ 193,477.68	\$ 2,290,154.42	
Totals - Page 2			\$ 0.00	\$ 0.00		\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	
Totals - Page 3			\$ 0.00	\$ 0.00		\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	
Totals - Page 4			\$ 0.00	\$ 0.00		\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	
Totals - Other Obligations			\$ 0.00	\$ 0.00		\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	
Grand Total - All Pages			\$ 44,918,692.00	\$ 3,035,310.50		\$ 201,077.68	\$ 354,144.68	\$ 352,644.68	\$ 354,894.68	\$ 853,927.02	\$ 193,477.68	\$ 2,290,154.42	

**Subsequent approval by Oversight Board before the final ROPS is submitted to the State Controller and State Department of Finance
 ***All total due during fiscal year and payment amounts are projected
 ****Funding Source Admin - Successor Agency Administrative Allowance Bonds - Bond proceeds RP/TF - Redevelopment Property Tax Trust Fund
 *****Item 10 was on previously approved ROPS. Payment amounts were not previously shown and have been added on this amended ROPS to include obligations to be paid by the Successor Agency, which were previously listed as separate line items referencing the payees under contract between the payees and the City.
 *****Payment amounts for items 13, 14 and 15 eliminated pursuant to DOP's 5/16/2012 letter. These amounts now properly listed under item 10 pursuant to Successor Agency Governing Board Resolution No. ASA 12-09 and Oversight Board Resolution No. 12-01.

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ADVANCE AND REIMBURSEMENT AGREEMENT

THIS ADVANCE AND REIMBURSEMENT AGREEMENT (this "Agreement") is entered into as of September 1, 2007, by and between the ARTESIA REDEVELOPMENT AGENCY, a public body, corporate and politic (hereinafter referred to as the "Agency"), and the CITY OF ARTESIA, a municipal corporation (hereinafter referred to as the "City").

RECITALS:

A. Pursuant to the Community Redevelopment Law (California Health and Safety Code Section 33000, et seq.) the Agency is undertaking a program for the redevelopment of blighted areas in the City and, in that regard, pursuant to Health and Safety Code Section 33445, the Agency proposes to pay for the value of the land (the "Property") for, and the cost of the installation and construction of certain public improvements described on Exhibit A hereto (collectively, the "Improvements") for the benefit of the Artesia Redevelopment Project Area (the "Project Area").

B. The City intends to acquire the Property and intends to install and construct the Improvements to assist in the elimination of blight in the Project Area.

C. In instances where the City has included the acquisition of the Property and/or the Improvements in its budget or capital improvements program, the City has done so with the expectation that the Agency will pay for or reimburse the City for its payment of the cost thereof. No moneys of the City were, are, or are reasonably expected to be, available on a long-term basis under the budget or capital improvements program of the City to pay for the cost of such Property and Improvements.

D. Pursuant to prior resolutions, understandings, or budget or capital improvements program considerations of the City and the Agency, the cost of the Property and Improvements has been allocated to the Agency and the City and the Agency have previously taken certain actions indicating their objective and reasonable expectation that the Agency would reimburse the City for all of expenditures by the City for the Property and Improvements from any funds lawfully available to the Agency therefor, subject to the provisions of this Agreement.

NOW, THEREFORE, THE PARTIES DO HEREBY AGREE AS FOLLOWS:

Section 1. Purpose of this Agreement

The City and the Agency desire to enter into this Agreement to acknowledge the above recitals and to provide for the advance by the City and the payment or reimbursement by the Agency of the cost of the acquisition of the Property and the installation and construction of the Improvements. Pursuant to this Agreement, the Agency agrees to pay to or for the benefit of the City the cost of acquiring the Property, including payment of related costs, and agrees to pay to or for the benefit of the City the cost of the installation and construction of the Improvements, including payment of related costs, subject to the provisions of this Agreement. By providing for

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the acquisition of the Property and the undertaking of the Improvements, the City has advanced and will continue to advance the cost of the foregoing to the Agency.

The Improvements are described on Exhibit A. Without Amendment of this Agreement, the Agency shall pay for, or reimburse to the City, not more than the budgeted costs thereof, as set forth on Exhibit A.

Section 2. Construction and Installation

The City shall perform all required preparatory work for the Improvements, including the acquisition of Property, and shall install and construct, or cause to be installed and constructed, the Improvements not previously installed and constructed. The City shall retain a person or entity experienced in the design and construction of the Improvements to undertake the design of the Improvements and to prepare plans and specifications therefor. The City shall, in accordance with all applicable federal, state and local laws, rules and regulations, install and construct, or cause to be installed and constructed, the Improvements in accordance with such plans and specifications.

Section 3. Agency to Pay all Costs

The Agency and the City hereby agree that the cost of the acquisition of necessary Property and the installation and construction of the Improvements paid for by the City constitute an advance to the Agency by the City. Subject to the provisions of this Agreement, the Agency hereby agrees to reimburse the City the cost of the acquisition of the necessary Property, including payment of related costs, and the costs of the installation and construction of the Improvements, including payment of related costs, all of which costs shall not exceed the budgeted costs thereof as set forth on Exhibit A without amendment of this Agreement.

Section 4. Reimbursement Costs

The City shall, following acquisition of the Property and the completion of the various Improvements, or various portions thereof, submit to the Agency a statement or statements showing the costs of the Improvements incurred by the City, including the acquisition of necessary Property, due to be paid by the Agency pursuant to this Agreement. Such amounts may include progress payments.

Section 5. Reimbursement by the Agency

Within a reasonable time after the submission of each statement to the Agency pursuant to Section 4 hereof, the Agency shall pay to or for the benefit of the City all amounts due thereunder from any revenues of the Agency lawfully available therefor. Amounts not paid by the Agency to the City within 30 days of the date of a statement shall bear interest at the same rate paid to the City on its funds invested in the Local Agency Investment Fund ("LAIF") from the date of such statement to the date of repayment. In the event there is a change in the LAIF interest rate during the applicable period, the highest interest rate during that period shall apply.

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In any event, all amounts due pursuant to a statement, together with interest thereon, shall be repaid by the Agency to the City by the following June 30. The obligations of the Agency under this Agreement shall constitute an indebtedness of the Agency within the meaning of Health and Safety Code Section 33670 *et seq.*

Section 6. Obligation to Pay Subordinate to Other Obligations

The obligation of the Agency to make payments to or for the benefit of the City under this Agreement shall, without necessity of further action by the Agency or the City, be junior and subordinate to all other obligations of indebtedness heretofore or hereafter voluntarily incurred by the Agency.

Section 7. Limit on Total Outstanding Advances by City to Agency

The total amount of outstanding advances made by the City to the Agency in any fiscal year pursuant to this Agreement and pursuant to any other advance and reimbursement agreement shall not exceed the aggregate amount of anticipated tax increment revenue and other financing sources available to the Agency for reimbursement to the City in that year, after taking into account all other obligations of the Agency in that fiscal year.

Section 8. Effect and Duration of Covenants

The covenants established in this Agreement shall, without regard to technical classification and designation, be binding on the parties hereto and their successors in interest.

Section 9. Nonliability of Officials and Employees

No Agency Board member, Councilmember, official, agent, or employee of the Agency or the City shall be personally liable to the other parties, or any successor in interest, in the event of any default or breach by the Agency or the City, or for any amount which may become due to the City or Agency, or successor, or on any obligations under the terms of this Agreement.

Section 10. Obligation to Refrain from Discrimination

The City covenants and agrees for itself, its successors and assigns that there shall be no discrimination against or segregation of any person or group of persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the California Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the California Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Property or Improvements, nor shall the City, or any person claiming under or through the City, establish or permit any practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees of the Property or Improvements.

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Notwithstanding the immediately preceding paragraph, with respect to familial status, said paragraph shall not be construed to apply to housing for older persons, as defined in Section 12955.9 of the California Government Code. With respect to familial status, nothing in said paragraph shall be construed to affect Sections 51.2, 51.3, 51.4, 51.10, 51.11, and 799.5 of the California Civil Code, relating to housing for senior citizens. Subdivision (d) of Section 51 and Section 1360 of the California Civil Code and subdivisions (n), (o) and (p) of Section 12955 of the California Government Code shall apply to said paragraph.

All deeds, leases or contracts entered into with respect to the sale, lease, sublease or other transfer of the Property or Improvements shall contain or be subject to substantially the following nondiscrimination/nonsegregation clauses:

In deeds: "The Grantee herein covenants by and for himself or herself, his or her heirs, executors, administrators and assigns, and all persons claiming under or through them, that there shall be no discrimination against or segregation of, any person or group of persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the California Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the California Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the premises herein conveyed, nor shall the Grantee himself or herself, or any person claiming under or through him or her, establish or permit any practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees in the premises herein conveyed. The foregoing covenants shall run with the land.

Notwithstanding the immediately preceding paragraph, with respect to familial status, said paragraph shall not be construed to apply to housing for older persons, as defined in Section 12955.9 of the California Government Code. With respect to familial status, nothing in said paragraph shall be construed to affect Sections 51.2, 51.3, 51.4, 51.10, 51.11, and 799.5 of the California Civil Code, relating to housing for senior citizens. Subdivision (d) of Section 51 and Section 1360 of the California Civil Code and subdivisions (n), (o) and (p) of Section 12955 of the California Government Code shall apply to said paragraph."

In leases: "The lessee herein covenants by and for himself or herself, his or her heirs, executors, administrators and assigns, and all persons claiming under or through him or her, and this lease is made and accepted upon and subject to the following conditions: That there shall be no discrimination against or segregation of any person or group of persons, on account of any basis listed in subdivision (a) or (d) of Section 12955 of the California Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the California Government Code, in the leasing, subleasing, transferring, use or occupancy, tenure or enjoyment of the premises herein leased nor shall the lessee himself or herself, or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with

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reference to the selection, location, number, use or occupancy of tenants, lessees, sublessees, subtenants or vendees in the premises herein leased.

Notwithstanding the immediately preceding paragraph, with respect to familial status, said paragraph shall not be construed to apply to housing for older persons, as defined in Section 12955.9 of the California Government Code. With respect to familial status, nothing in said paragraph shall be construed to affect Sections 51.2, 51.3, 51.4, 51.10, 51.11, and 799.5 of the California Civil Code, relating to housing for senior citizens. Subdivision (d) of Section 51 and Section 1360 of the California Civil Code and subdivisions (n), (o) and (p) of Section 12955 of the California Government Code shall apply to said paragraph."

In contracts: "The contracting party or parties hereby covenant by and for himself or herself and their respective successors and assigns, that there shall be no discrimination against or segregation of any person or group of persons, on account of any basis listed in subdivision (a) or (d) of Section 12955 of the California Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the California Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the premises, nor shall the contracting party or parties, any subcontracting party or parties, or their respective assigns or transferees, establish or permit any such practice or practices of discrimination or segregation.

Notwithstanding the immediately preceding paragraph, with respect to familial status, said paragraph shall not be construed to apply to housing for older persons, as defined in Section 12955.9 of the California Government Code. With respect to familial status, nothing in said paragraph shall be construed to affect Sections 51.2, 51.3, 51.4, 51.10, 51.11, and 799.5 of the California Civil Code, relating to housing for senior citizens. Subdivision (d) of Section 51 and Section 1360 of the California Civil Code and subdivisions (n), (o) and (p) of Section 12955 of the California Government Code shall apply to said paragraph."

Section 11. Future Cooperation

The parties hereto agree to take all appropriate steps and execute any documents which may reasonably be necessary or convenient to implement the intent of this Agreement.

Section 12. Records

Each party shall maintain books and records regarding its duties pursuant to this Agreement. Such books and records shall be available for inspection by the officers and agents of the other party and by the public at all reasonable times.

Section 13. Law Governing

This Agreement is made in the State of California under the constitution and laws of the State of California, and is to be so construed.

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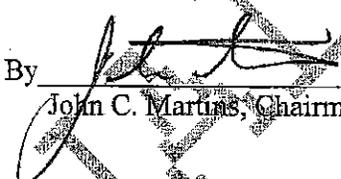
Section 14. Amendments

This Agreement may be amended at any time, and from time to time, by an agreement executed by both parties to this Agreement.

Section 15. Implementation Memoranda

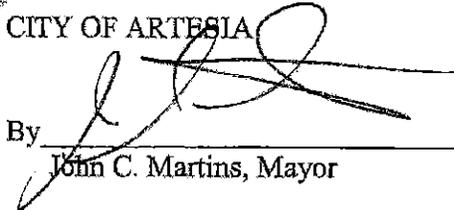
From time to time, the City Manager and the Executive Director may execute implementation memoranda, to evidence, in addition to this Agreement, the indebtedness of the Agency to the City created by this Agreement and the program and/or plan for implementing any of the provisions hereof.

ARTESIA REDEVELOPMENT AGENCY

By 
John C. Martins, Chairman

ATTEST:


Daryl Betancur, CMC
Secretary/Treasurer

CITY OF ARTESIA
By 
John C. Martins, Mayor

ATTEST:


Daryl Betancur, CMC
City Clerk/Treasurer

EXHIBIT A

PROPERTY/IMPROVEMENT	BUDGETED COST
<u>Historical District</u>	
Preparation of landscaping construction documents and construction administration professional services	\$119,553.00
Site preparation, soil improvements, irrigation, planting, hardscape, amenities, renovation of buildings and structures, special items	\$1,217,381.00
<u>Parking Structure</u>	
Acquisition of necessary property located near the northeast corner of 183rd and Corby Avenue, demolition of existing structures, site grading, utility installation, parking structure construction and landscaping	\$2,000,000.00
<u>City Maintenance Yard</u>	
Curb, gutter, street improvements, sewer and water lines along Corby Avenue north of Artesia Boulevard to and adjacent to the maintenance yard property	\$300,000.00

DRAFT

AMENDMENT NO. 1

TO

ADVANCE AND REIMBURSEMENT AGREEMENT

This Amendment No. 1 ("First Amendment") to the Advance and Reimbursement Agreement is dated March 28, 2011, and is between the Artesia Redevelopment Agency, a public body, corporate and politic (the "Agency") and the City of Artesia, a municipal corporation (the "City").

RECITALS:

A. Pursuant to the Community Redevelopment Law (California Health and Safety Code Section 33000, et seq.), the Agency is undertaking a program for the redevelopment of blighted areas in the City and, in that regard, the Agency and the City entered into an Advance and Reimbursement Agreement dated September 1, 2007 (the "Agreement"), whereby the Agency agreed to pay for or reimburse the City for an amount not to exceed \$3,636,934.00 of the value of the land for and the cost of the installation and construction of certain public improvements described in Exhibit A to the Agreement (collectively, the "Improvements") for the benefit of the Artesia Redevelopment Project Area.

B. The Agency and City wish to amend the Agreement to (1) amend the Improvements and their budgeted costs as described in Exhibit A and (2) provide for the Agency to prepay to the City a portion of the Agency's anticipated reimbursement obligation to the City under the Agreement.

C. The Improvements not originally listed in the Agreement and included in this First Amendment are the Downtown Revitalization improvements and the Artesia Boulevard Corridor Specific Plan. With the additional Improvements and the increased cost of the previously listed Improvements, the total current budgeted amount for the Improvements has been revised from the budget in the original Agreement of \$3,636,934.00 to the new budget in this First Amendment of \$10,849,254.00. Of this total revised amount, \$2,625,538.00 has been paid by the Agency to the City pursuant to the Agreement and prior to the approval of this First Amendment.

D. The Agency intends by this First Amendment to prepay the City for the remaining portion of the Improvements not yet constructed, a total of \$8,754,000.

The parties therefore agree as follows:

Section 1. A new Section 16 is hereby added to the Agreement to read as follows:

"Section 16. Prepayment

The City acknowledges receipt of a deposit from the Agency in the amount of \$8,754,000.00 from the Agency. The City agrees to apply such sum solely to satisfy the Agency's obligation to pay for, or reimburse to the City, not more than the budgeted cost of the

Improvements as set forth in Exhibit A in accordance with Sections 4 and 5 hereof. Invoices from the City showing the cost of the Improvements incurred by the City shall reflect a credit for the prepayment by the Agency until such time as the prepayment amount has been fully applied to the cost of the Improvements. In the event the deposit is not fully applied as of the last day amounts are due and payable to the City in accordance with Section 5, then, within ten (10) days thereafter, the City shall return any unexpended deposit to the Agency, together with interest, at the rate then paid to the City on its funds invested in LAIF from the date of deposit to the date of repayment.”

Section 2. Section 5 of the Agreement is hereby amended in its entirety to read as follows:

“Section 5. Reimbursement by the Agency

Within a reasonable time after the submission of each statement to the Agency pursuant to Section 4 hereof, the Agency shall pay to or for the benefit of the City all amounts due thereunder from (i) tax increment generated in the Project Area and eligible to be allocated to the Agency pursuant to the Redevelopment Law, or to any successor agency or entity of the Agency and/or any entity established by law to carry out the redevelopment plan for the Project Area and/or expend tax increment or pay indebtedness of the Agency; (ii) available proceeds of tax allocation bonds or other obligations of the Agency; (iii) available proceeds from loans or other obligations which constitute indebtedness of the Agency repayable from tax increment (as described in the foregoing clause (i)); or (iv) any other available funds of the Agency. Amounts not paid by the Agency to the City within 30 days of the date of a statement shall bear interest at the same rate paid to the City on its funds invested in the Local Agency Investment Fund (“LAIF”) from the date of such statement to the date of repayment. In the event there is a change in the LAIF interest rate during the applicable period, the highest interest rate during that period shall apply. In any event, all amounts due pursuant to a statement, together with interest thereon, shall be repaid by the Agency to the City by the date established in the redevelopment plan for the Project Area, or the Redevelopment Law or other law, as the time limit for the repayment of indebtedness with respect to the Project Area. The obligations of the Agency under this Agreement shall constitute an indebtedness of the Agency for the purpose of carrying out the redevelopment plan for the Project Area.”

Section 3. Section 6 of the Agreement is hereby amended in its entirety to read as follows:

“Section 6. Obligation to Pay Subordinate to Other Obligations

The obligation of the Agency to make payments to or for the benefit of the City under this Agreement shall, without necessity of further action by the Agency or the City, be junior and subordinate to all other obligations of indebtedness heretofore or hereafter voluntarily incurred by the Agency, including bonds or loans secured by a pledge of tax increment revenues derived from the Project Area, and to all pre-existing statutory obligations of the Agency pursuant to Section 33607.5 or 33607.7 of the Redevelopment Law.”

Section 4. Exhibit A to the Agreement is hereby amended in its entirety to read as shown in Exhibit A to this First Amendment.

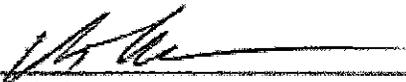
Section 5. Except as expressly set forth in this First Amendment, all provisions of the Agreement shall remain in full force and effect.

Section 6. The effective date of this First Amendment shall be the date of approval by the appropriate governing body of the last of the parties to approve this First Amendment.

Section 7. If any section, subsection, sentence, clause, phrase or portion of this Amendment for any reason is held to be invalid or unconstitutional by the jurisdiction of any court of competent jurisdiction, such decision shall not affect the validity or the remaining portions of this Amendment or the Agreement. The Agency Board of the Artesia Redevelopment Agency and the City Council of the City of Artesia hereby declare that each would have adopted this Amendment and each section, subsection, sentence, clause, phrase or portion thereof irrespective of the fact that any one or more sections, subsections, sentences, clauses, phrases or portions were to be declared invalid or unconstitutional.

Section 8. The parties are signing this First Amendment on the date stated in the introductory clause.

ARTESIA REDEVELOPMENT AGENCY

By 
Chairperson

ATTEST:


Secretary

CITY OF ARTESIA

By 
Mayor

ATTEST:


City Clerk

EXHIBIT A

PROPERTY/IMPROVEMENT	BUDGETED COST
<u>Historical District</u>	
Preparation of landscaping construction documents and construction administration professional services. Site preparation, soil improvements, irrigation, planting, hardscape, amenities, renovation of buildings and structures, special items.	\$1,160,703.00
<u>Parking Structure</u>	
Acquisition of necessary property located near the northeast corner of 183rd and Corby Avenue, demolition of existing structures, site grading, utility installation, parking structure construction and landscaping.	\$3,757,007.00
<u>City Maintenance Yard</u>	
Acquisition of two properties, construction of a new public works maintenance storage and operations building, curb, gutter, street improvements, sewer and water lines along Corby Avenue north of Artesia Boulevard to and adjacent to the maintenance yard property.	\$2,491,771.00
<u>Downtown Revitalization</u>	
Infrastructure improvements to Pioneer Boulevard, including medians, crosswalks, streetlights, furnishing and landscaping	\$3,297,553.00
<u>Artesia Boulevard Corridor Specific Plan</u>	
Preparation of a specific plan for the development of land uses along Artesia Boulevard from Pioneer Boulevard west to the City's western border	\$142,220.00



May 18, 2012

Justine Menzel, Deputy Executive Director
City of Artesia
18474 Clarkdale Avenue
Artesia, CA 90701

Dear Ms. Menzel:

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the City of Artesia (City) Successor Agency submitted a Recognized Obligation Payment Schedule (ROPS) to the California Department of Finance (Finance) on May 3, 2012 for the periods January through June 2012 and July through December 2012. Finance staff recently contacted you for further clarification of items listed in the ROPS.

HSC section 34171 (d) lists enforceable obligations characteristics. Based on a sample of items reviewed and application of the law, the following items do not qualify as Enforceable Obligations (EO):

January through June 2012 ROPS

- Item No. 23 – Tim Greenleaf Engineering: Demolition of parking sites for \$36,667. Per the City, no contract has been entered for this project. Because there was no contract in place prior to the June 28, 2011 date, this item is not an EO.
- Item No. 24 – Griffith Company: Pioneer downtown construction for \$2,393,615. The \$2,393,615 relates to an August 9, 2011 agreement with the City and Griffith Company. This agreement is with the City and not the former RDA. Therefore, the Griffith Company agreement is not an EO.
- Item No. 26 – Traffic Safety Engineers: Inspection, signal timing services for \$58,000. The \$58,000 relates to an April 12, 2011 request for traffic engineer services that is covered under the scope of services of a July 1, 2009 service agreement between the City and Traffic Safety Engineers. This agreement is with the City and not the former RDA. Therefore, the Traffic Safety Engineers agreement is not an EO.
- Item No. 27 – A.C.E. Civil Engineers: Inspection and civil engineering services for \$123,600. The \$123,600 relates to an April 1, 2011 and May 2, 2011 request for inspection and project engineer services that are covered under the scope of services in a July 1, 2009 services agreement between the City and A.C.E. Civil Engineers. This agreement is with the City and not the RDA. Therefore, the A.C.E. Civil Engineers agreement is not an EO.

July through December 2012 ROPS

- Item No. 13 – Griffith Company: Pioneer downtown construction for \$2,393,615. The \$2,393,615 relates to an August 9, 2011 agreement with the City and Griffith Company. This agreement is with the City and not the former RDA. Therefore, the Griffith Company agreement is not an EO.
- Item No. 14 – Traffic Safety Engineers: Inspection, signal timing services for \$58,000. The \$58,000 relates to an April 12, 2011 request for traffic engineer services that is covered under the scope of services of a July 1, 2009 service agreement between the City and Traffic Safety Engineers. This agreement is with the City and not the former RDA. Therefore, the Traffic Safety Engineers agreement is not an EO.
- Item No. 15 – A.C.E. Civil Engineers: Inspection and civil engineering services for \$123,600. The \$123,600 relates to an April 1, 2011 and May 2, 2011 request for inspection and project engineer services that are covered under the scope of services in a July 1, 2009 services agreement between the City and A.C.E. Civil Engineers. This agreement is with the City and not the RDA. Therefore, the A.C.E. Civil Engineers agreement is not an EO.

As authorized by HSC section 34179 (h), Finance is returning your ROPS for your reconsideration. This action will cause the ROPS items noted above to be ineffective until Finance approval. Furthermore, items listed on future ROPS will be subject to review and may be denied as EOs.

Department of Finance may continue to review items on the ROPS in addition to those mentioned above and identify additional issues. We will provide separate notice if we are requesting further modifications to the ROPS. It is our intent to provide an approval notice with regard to each ROPS prior to the June 1 property tax distribution date.

If you believe we have reached this conclusion in error, please provide further evidence that the items questioned above meet the definition of an EO and submit to the following email address:

Redevelopment_Administration@dof.ca.gov

Please direct any inquiries to Chikako Takagi-Galamba, Supervisor or Wendy Griffe, Lead Analyst at (916) 322-2985.

Sincerely,



MARK HILL
Program Budget Manager

cc: Ms. Kristina Burns, Program Specialist III, Los Angeles County



THE CITY OF ARTESIA, CALIFORNIA

18747 CLARKDALE AVENUE, ARTESIA, CALIFORNIA 90701

Telephone 562 / 865-6262

FAX 562 / 865-6240

"Service Builds Tomorrow's Progress"

May 22, 2012

Mark Hill
Program Budget Manager
Department of Finance
915 L Street
Sacramento, Ca 95814-3706

Dear Mr. Hill,

The Successor Agency to the Artesia Redevelopment Agency ("Successor Agency") is requesting reconsideration by the Department of Finance ("DOF") regarding the rejection of certain items on the Recognized Obligation Payment Schedule ("ROPS"), as indicated on your May 18, 2012 letter. The requested reconsideration applies to items 23, 24, 26 and 27 on the January through June 2012 ROPS ("First ROPS") and items 13, 14, and 15 on the July through December 2012 ROPS ("Second ROPS") that the Successor Agency submitted to the DOF on May 3, 2012.

The premise for the DOF's rejection of the above-mentioned items on the ROPS was that the obligations listed were contracts with the City of Artesia ("City") rather than the former Redevelopment Agency. However, as we explain below, those City Agreements, or more precisely, the dollar amounts of those contracts, reflect enforceable obligations that should be included on the ROPS. The City approved those projects and related contracts pursuant to an Advance and Reimbursement Agreement between the former Redevelopment Agency and the City that was entered into in 2007 and amended in March 2011, at times when the Advance and Reimbursement Agreement was a valid and legally binding agreement of the Redevelopment Agency and the City justifiably relied on the enforceability of the agreement. A copy of that Advance and Reimbursement Agreement and its Amendment are attached as Exhibits to this letter. Included in the Agreement, as amended, is a list of the projects for which the Agency is obligated to reimburse the City for costs incurred.

The Advance and Reimbursement Agreement is listed on the Oversight Board's approved version of the ROPS as Item No. 18 on the First ROPS and as Item No. 10 on the Second ROPS. At the present time, no dollar amounts are listed on the ROPS as expended under that Agreement because the dollar amount of the disputed items are listed as separate line items referenced above. However, those dollar amounts may alternatively be reflected as dollar amounts to be paid under the Advance and Reimbursement Agreement for the reasons stated below.

The facts that support the Successor Agency's position that the dollar amounts of the Items mentioned above are enforceable obligations to be included on the ROPS are as follows:

- 1.) In 2007, the former Redevelopment Agency entered into the Advance and Reimbursement Agreement with the City by which the Redevelopment Agency agreed to reimburse the City for costs incurred in constructing certain listed Redevelopment Agency projects. This Agreement is

not an agreement for the City to loan money to the Redevelopment Agency but rather an agreement for the Redevelopment Agency to reimburse the City when the City incurred costs on Agency projects. The projects and the dollar amount of those projects are listed in Exhibit A to that 2007 Agreement. The 2007 Agreement was validly entered into pursuant to the Community Redevelopment Law at that time. A copy of that Agreement is attached as Exhibit A to this letter.

- 2.) In March 2011, the Agency and City entered into an Amendment to that Advance and Reimbursement Agreement by which the list of projects was revised and the dollar amounts of the estimated project costs were updated. A copy of the Amendment is attached as Exhibit B to this letter. The 2011 Amendment was entered into by the City and Redevelopment Agency before the enactment of AB X1 26 and AB X1 27. The Redevelopment Agency was fully authorized to enter into the Amendment under the Community Redevelopment Law then in effect. Upon the execution and delivery of Amendment, the Advance and Reimbursement Agreement, as amended, was a valid and binding agreement of the Redevelopment Agency.
- 3.) On August 8, 2011, the City approved through second reading, the "Opt In" ordinance agreeing to comply with AB X1 27 payments to the State. Thus, under the law in effect at that time, the Artesia Redevelopment Agency was exempted from the suspension and dissolution provisions of AB X1 26.
- 4.) On August 8, 2011, the City approved the Pioneer Boulevard Project and approved the Griffith Company contract to carry out that Project. The City did so because at that point in time, the former Redevelopment Agency was not subject to AB X1 26, including the provisions suspending redevelopment powers and the Advance and Reimbursement Agreement, as amended, was an effective, enforceable and legally binding agreement of the former Redevelopment Agency. Consequently, on August 8, 2011, the former Redevelopment Agency became contractually committed to reimburse the City for costs it incurred in carrying out the Pioneer Boulevard Project, including the Griffith Company contract and other contracted services that would carry out that Project.
- 5.) The City's action to approve that contract with the Griffith Company, and thus to invoke the obligation of the Agency to reimburse the City for that contract, occurred prior to the Supreme Court's stay of redevelopment powers and activities on August 11, 2011.
- 6.) Only when AB X1 27 was invalidated by the Court in December 2011, the Agency became subject to part 1.85 (i.e., the AB X1 26 provisions governing the dissolution of redevelopment agencies). Pursuant to AB X1 26, the provisions invalidating most city-agency agreements such as the Advance and Reimbursement Agreement only took effect on February 1, 2012, upon the effectiveness of Part 1.85.
- 7.) Between the time when the City adopted the "Opt In" Ordinance and the issuance of the Stay by the Supreme Court on August 11, 2011, the Redevelopment Agency had the power to engage in redevelopment activities and incur related obligations under the Community Redevelopment Law. During that period, the Advance and Reimbursement was effective and binding and the City justifiably and validly relied on the Agreement. Therefore the three disputed agreements became and should remain enforceable obligations of the Successor Agency.

Mark Hill
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- 8.) The Advance and Reimbursement Agreement is listed on the First and Second ROPS as an enforceable obligation and should be treated as such for those City Agreements entered into in reliance on the Advance and Reimbursement Agreement to carry out the Pioneer Boulevard Project because all of the required actions to make it a lawful enforceable obligation had occurred prior to: (a) August 11, 2011, when the stay of RDA powers went into effect; (b) the December 29th Supreme Court's action to invalidate AB X 1 27; and (c) the February 1, 2012, dissolution of RDAs.
- 9.) Therefore, the expenditures and continuing expenditures under those three City agreements for the Pioneer Boulevard Project should be approved as enforceable obligations either with the dollar amounts for those contracts listed as they are on the ROPS or by including the dollar amount of those contracts under the line items for the Advance and Reimbursement Agreement.
- 10.) The same rationale applies to the Greenleaf contract as it applies to the Parking Structure Project that is also listed on the Exhibit to the Advance and Reimbursement Agreement which project was approved and thus an obligation of the former Redevelopment Agency prior to the suspension of redevelopment powers on August 11, 2011.

If you have any questions, please do not hesitate to contact me.

Respectfully submitted,


Justine Menzel,
Deputy City Manager/Finance Officer

Attachments:

- Exhibit A – 2007 Advance and Reimbursement Agreement and Resolution 07-03
- Exhibit B – 2011 Amendment to the Advance and Reimbursement Agreement with Resolutions No. 11-2268 and ARA 11-24

cc: Redevelopment_Administration@dof.ca.gov
Kristina Burns, Program Specialist III, Los Angeles County (e-mail)

JM/s



THE CITY OF ARTESIA, CALIFORNIA

18747 CLARKDALE AVENUE, ARTESIA, CALIFORNIA 90701

Telephone 562 / 865-6262

FAX 562 / 865-6240

"Service Builds Tomorrow's Progress"
May 23, 2012

Mark Hill
Program Budget Manager
Department of Finance
915 L Street
Sacramento, Ca 95814-3706

Dear Mr. Hill,

Yesterday (May 22, 2012), I sent a letter to you on behalf of the Successor Agency to the Artesia Redevelopment Agency ("Successor Agency") requesting reconsideration by the Department of Finance ("DOF") regarding the rejection of certain items on the Recognized Obligation Payment Schedule ("ROPS"), as indicated on your May 18, 2012 letter. This letter is sent to supplement and make clear two facts that may not have been self-evident in my letter to you yesterday.

First, that Items Nos. 24, 26 and 27 on the January through June 2012 ROPS ("First ROPS") and items 13, 14, and 15 on the July through December 2012 ROPS ("Second ROPS") that the Successor Agency submitted to the DOF on May 3, 2012 are contracts for a project that we referred to in yesterday's letter known as the "Pioneer Boulevard Project." This project is referred to in Exhibit A to the Amendment to the Advance and Reimbursement Agreement (Exhibit B to yesterday's letter) as the "Downtown Revitalization" Project. As you will see when reviewing the exhibit that is attached to that Amendment, this "Downtown Revitalization" Project is for "infrastructure improvements to Pioneer Boulevard, including median, crosswalks, streetlights, furnishings and landscaping." The point of this clarification is that the ROPS Items referred to above are all under the category of "Downtown Revitalization" Project to which the Agency was lawfully committed to the City to pay for pursuant to the First Amendment to the Advance and Reimbursement Agreement (Item No. 18 on the First ROPS and Item No. 10 on the Second ROPS).

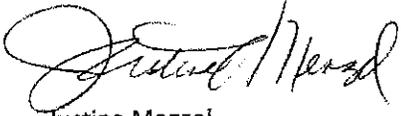
Second, Item 23 on the First ROPS is a contract in connection with the "Parking Structure" Project that is also listed on the exhibit to the Amendment to the Advance and Reimbursement Agreement. As you will note from the project description, that project includes the demolition of existing structures on the acquired site.

We hope these clarifications help you connect the questioned contracts to the projects listed in the Advance and Reimbursement Agreement and its First Amendment so as to show that the dollar amount of these contracts are enforceable obligations of the Successor Agency pursuant to the Advance and Reimbursement Agreement, as amended. The full explanation of the rationale for this conclusion is set forth in my letter to you yesterday.

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If you have any questions, please do not hesitate to contact me.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Justine Menzel". The signature is fluid and cursive, with the first name "Justine" written in a larger, more prominent script than the last name "Menzel".

Justine Menzel,
Deputy City Manager/Finance Officer

cc: Redevelopment_Administration@dof.ca.gov
Kristina Burns, Program Specialist III, Los Angeles County (e-mail)

JM/s



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May 25, 2012

Justine Menzel, Deputy Executive Director
City of Artesia
18474 Clarkdale Avenue
Artesia, CA 90701

Dear Ms. Menzel:

Subject: Recognized Obligation Payment Schedule Approval Letter.

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the City of Artesia Successor Agency submitted Recognized Obligation Payment Schedules (ROPS) to the California Department of Finance (Finance) on May 3, 2012 for the period of January to June 2012 and on May 11, 2012 for the period of July to December 2012. Finance is assuming appropriate oversight board approval. Finance has completed its review of your ROPS, which may have included obtaining clarification for various items.

Except for items disallowed in whole or in part as enforceable obligations noted in Finance's letter dated May 18, 2012, Department of Finance is approving the remaining items listed in your ROPS for both periods. This is our determination with respect to any items funded from the Redevelopment Property Tax Trust Fund (RPTTF) for the June 1, 2012 property tax allocations. If your oversight board disagrees with our determination with respect to any items not funded with property tax, any future resolution of the disputed issue may be accommodated by amending the ROPS for the appropriate time period. Items not questioned during this review are subject to a subsequent review, if they are included on a future ROPS. If an item included on a future ROPS is not an enforceable obligation, Finance reserves the right to remove that item from the future ROPS, even if it was not removed from the preceding ROPS.

Please refer to Exhibit 12 at http://www.dof.ca.gov/assembly_bills_26-27/view.php for the amount of RPTTF that was approved by Finance based on the schedule submitted.

As you are aware the amount of available RPTTF is the same as the property tax increment that was available prior to ABx1 26. 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 in the RPTTF.

Please direct inquiries to Chikako Takagi-Galamba, Supervisor or Wendy Griffe, Lead Analyst at (916) 322-2985.

Sincerely,

MARK HILL
Program Budget Manager

cc: Ms. Kristina Burns, Program Specialist III, Los Angeles County



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