

**OVERSIGHT BOARD RESOLUTION NO. \_\_\_\_\_**

**A RESOLUTION OF THE OVERSIGHT BOARD TO THE SUCCESSOR AGENCY TO THE FORMER COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF MONTEBELLO APPROVING THE MAY 11, 2011 PREPAYMENT AND PARTIAL SATISFACTION AGREEMENT BETWEEN THE FORMER COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF MONTEBELLO AND THE CITY OF MONTEBELLO**

**WHEREAS**, in 2000, the City of Montebello (“City”) and the Montebello Public Improvement Corporation issued the 2000 Certificates of Participation (“COPs”) to fund certain capital improvements of benefit to the project areas of the Community Redevelopment Agency of the City of Montebello (“Agency”);

**WHEREAS**, contemporaneous with issuance of the COPs, the City and Agency executed a Reimbursement Agreement, pursuant to which the Agency pledged tax increment to COPs holders to satisfy the City’s payment obligations under the COPs, in consideration for the project’s redevelopment benefits;

**WHEREAS**, on June 14, 2010, the Agency and City executed a Loan Agreement by which the Agency extended an \$8 million line of credit for the City’s use in maintaining essential services of benefit to the Agency’s project areas;

**WHEREAS**, on September 22, 2010, the Agency and City executed an Amended and Restated Loan Agreement under authority of Government Code section 53850 *et seq.*, which superseded the Loan Agreement in its entirety and extended the City’s line of credit to \$19.3 million (the “TRAN”);

**WHEREAS**, the City borrowed a total of \$16,863,162.14 over the life of the TRAN;

**WHEREAS**, on May 11, 2011, the Agency and City approved a “Prepayment and Partial Satisfaction Agreement” (“Prepayment Agreement”), under which the Agency prepaid \$17,462,276 of its future payment obligations under the Reimbursement Agreement;

**WHEREAS**, the City accepted the Prepayment Agreement at the discounted present-day value of \$13,487,438 to offset amounts it owed the Agency under the TRAN, and repaid the remaining TRAN balance with a cash transfer of \$3,375,724.14 on June 2, 2011;

**WHEREAS**, the Prepayment Agreement saved the Agency approximately \$4 million in debt service interest payments over the life of the COPs;

**WHEREAS**, on February 1, 2011, the Agency was dissolved by way of Assembly Bill (“AB”) 1x26 (as subsequently amended by AB 1484, the “Dissolution Act”) and the California Supreme Court’s decision in *California Redevelopment Association v. Matosantos* (2011) 53 Cal.4th 231;

**WHEREAS**, the Dissolution Act created the Montebello Successor Agency (“Successor Agency”) to effectuate the “winding down” of the Agency, and is a separate and independent public entity from the City which provides for its governance;

**WHEREAS**, the Dissolution Act created the Montebello Oversight Board (“Oversight Board”) to oversee, review, and approve certain actions of the Successor Agency, and is authorized to direct the disposal of the assets of the former Agency (Health & Safety Code § 34181(a)), and to approve a request by the Successor Agency to enter into an agreement with the City (Health & Safety Code § 34181(h));

**WHEREAS**, the Agency’s payment of amounts owed under the Reimbursement Agreement have been recognized by the Oversight Board and the Department of Finance (“Finance”) as an “enforceable obligation”;

**WHEREAS**, because of the Prepayment Agreement, the City will be responsible for satisfying the Agency’s payment obligations under the COPs commencing November 1, 2014, and continuing through November 1, 2026, and the Successor Agency will not have to make the payments thereon in annual installments of between \$1.3 and \$1.7 million;

**WHEREAS**, the Prepayment Agreement was not questioned during the “all other fund due diligence review” (“DDR”), which reviewed transactions between the Agency and City between January 1, 2011 and June 30, 2012, and the DDR was reviewed and approved by the Oversight Board and Finance;

**WHEREAS**, a Los Angeles Superior Court judge validated the Prepayment Agreement in September 2011, by way of a final judgment in a lawsuit brought to challenge the enforceability of the TRAN, *Sevacherian v. All Persons* (“All Persons Case”), in which the judge dismissed the action upon finding the TRAN had been repaid in full;

**WHEREAS**, Dissolution Act authorizes the State Controller’s Office to review asset transfers between the Agency and City occurring between January 1, 2011, and the date of the Agency’s dissolution (Health & Safety Code § 34167.5);

**WHEREAS**, pursuant to its audit authority, the State Controller’s Office has questioned the Prepayment Agreement, but has indicated that if the Oversight Board approves the Prepayment Agreement the State Controller’s Office will not longer question the transaction; and

**WHEREAS**, the Oversight Board desires to approve the May 1, 2011 Prepayment Agreement pursuant to its authority to direct the transfer of assets of the former Agency (Health & Safety Code § 34181(a)), and to ratify the enforceability of the Prepayment Agreement on the Successor Agency (Health & Safety Code § 34181(h)), as the Prepayment Agreement results in a net saving of \$4 million in former Agency assets over the life of the COPs to the direct benefit of the taxing entities, significantly shortens the Agency's long-term debt obligations, and such approval will be consistent with the findings of the DDR and judgment in the *All Persons* Case.

**NOW THEREFORE, THE MONTEBELLO OVERSIGHT BOARD DOES HEREBY RESOLVE AS FOLLOWS:**

**SECTION 1.** After consideration of staff presentations, reports, discussions, public comments, and other evidence presented, the Oversight Board hereby finds and declares that the foregoing recitals are true and correct and incorporate them herein.

**SECTION 2.** The Oversight Board finds and declares that the requirements of Health & Safety Code Section 34181(f) have been satisfied, in that the Oversight Board has held a public meeting to consider its approval of the Prepayment Agreement, ten (10) days advanced public notice of said meeting was provided, and members of the public have been given an opportunity to comment on the Prepayment Agreement.

**SECTION 3.** The Oversight Board finds and declares that approval of the Prepayment Agreement will result in a net benefit to the taxing entities, will significantly shorten the Agency's long-term debt obligations, and will be consistent with findings made on the DDR and in the *All Persons* Case, and therefore approves the Prepayment in accordance with subdivision (a) of Health & Safety Code Section 34181, and subdivision (h) of Health & Safety Code Section 34181.

**SECTION 4.** Successor Agency staff is hereby directed to provide notice of this Resolution to the Department of Finance in compliance with Health & Safety Code Section 34179(h), and this Resolution and the actions approved hereby shall be subject to review by the Department of Finance pursuant to Health & Safety Code Section 34181(f).

**SECTION 5.** The Clerk of the Oversight Board shall certify to the passage and adoption of this Resolution, and it shall become effective immediately upon its approval.

**PASSED, APPROVED and ADOPTED** this 13th day of November, 2013

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Richard Bruckner, Chairperson  
City of Montebello Oversight Board

ATTEST:

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Ivonne Evelyn Umana, Deputy Clerk  
County of Los Angeles, Board of Supervisors  
Acting as Secretary to the Montebello Oversight Board

I HEREBY CERTIFY that the foregoing resolution was duly adopted by the City of Montebello Oversight Board at a special meeting held on the 13th day of November 2013 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

VACANT:

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Ivonne Evelyn Umana, Deputy Clerk  
County of Los Angeles, Board of Supervisors  
Acting as Secretary to the Montebello Oversight Board