

Exhibit "A"
BOND EXPENDITURE AGREEMENT

This Bond Expenditure Agreement ("Agreement") is entered into on March 29, 2017, by and between the City of Reedley, a municipal corporation (the "City"), and the Successor Agency to the former Redevelopment Agency of the City of Reedley (the "Successor Agency"). This Agreement shall not be effective until approved by the Oversight Board to the Successor Agency.

Recitals

A. The former Redevelopment Agency of the City of Reedley approved the issuance of \$8,275,000 of tax-exempt bonds on February 1, 2011 (hereinafter "2011 Bonds") to refund or refinance tax-exempt bonds issued in 1998.

B. Pursuant to a duly adopted resolution by the City Council, the City agreed to serve as the Successor Agency to the former Redevelopment Agency of the City of Reedley in accordance with Assembly Bill 1X 26 and applicable law.

C. The Successor Agency received its Finding of Completion under Health and Safety Code Section 34179.7 from the California Department of Finance on May 24, 2013.

D. Health and Safety Code (HSC) Section 34191.4(c)(2) authorizes a successor agency that has received a finding of completion to use bond proceeds derived from bonds issued on or after January 1, 2011, subject to certain provisions ("Excess Bond Proceeds").

E. HSC section 34191.4(c) (4) allows agencies with an approved Last and Final Recognized Obligation Schedule (Last and Final ROPS) to use up to 45 percent of the excess bond proceeds derived from bonds issued after December 31, 2010 which were issued, in part, to refinance existing bonds. The Successor Agency has bonds that meet this criteria, and therefore anticipates ultimately being able to use up to 45 percent of the Excess Bond Proceeds derived from the 2011 Bonds as authorized by Health and Safety Code section 34191.4(c)(4), and wishes to use such Excess Bond Proceeds for authorized purposes consistent with applicable bond covenants. Until the Last and Final ROPS is approved, the Successor Agency is only eligible to transfer up to five percent of excess bond proceeds to the City.

F. The parties desire to enter into this Agreement to use the Excess Bond Proceeds for the purposes identified in and consistent with the bond covenants and applicable law, and to provide for the Successor Agency to transfer the Excess Bond Proceeds to the City to enable the City to use such funds, in a manner consistent with the bond covenants, to undertake authorized projects and programs.

G. In order to facilitate the use of Excess Bond Proceeds consistent with the bond covenants, the Successor Agency and the City have negotiated this Agreement requiring the transfer of current and future Excess Bond Proceeds from the Successor Agency to the City, and the City's use of such proceeds consistent with applicable bond covenants and all applicable law.

NOW, THEREFORE, the parties hereto do mutually agree as follows:

1. Recitals. The recitals above are an integral part of this Agreement and set forth the intentions of the parties and the premises on which the parties have decided to enter into this Agreement.
2. Effective Date. This Agreement shall become effective upon Oversight Board approval as required by Health and Safety Code section 34191(c)(2)(D).
3. Term. The term of this Agreement shall commence on the Effective Date, and shall continue in effect until the date that all Excess Bond Proceeds are expended in accordance with the requirements of this Agreement.
4. Transmittal of Excess Bond Proceeds; Successor Agency Obligations. The Successor Agency shall have the following obligations under this Agreement:

(a) Current Excess Bond Proceeds. Upon the Effective Date, the Successor Agency shall transfer the Excess Bond Proceeds, plus any interest accrued on the 2011 Bonds up to the date of transfer, to the City, and the City shall deposit such funds into a separate Excess Bond Proceeds account for the City's use in accordance with the terms, conditions, and purposes set for in this Agreement. The Successor Agency is only eligible to transfer up to five percent of excess bond proceeds to the City until the Last and Final ROPS is approved; and upon approval of a Last and Final ROPS the Successor Agency is eligible to transfer up to 45 percent (45%) of excess bond proceeds to the City.

(b) Future Excess Bond Proceeds. The Successor Agency shall transfer to the City, as soon as possible after such Excess Bond Proceeds become available, all future Excess Bond Proceeds held or received by the Successor Agency, including any interest accrued thereon. Such future Excess Bond Proceeds shall include, without limitation: (1) bond proceeds previously obligated to a project or other enforceable obligation that become unobligated for any reason, (2) bond proceeds that become available in the form of rents, sale proceeds, loan repayments, or other revenues that are generated by properties or other assets acquired and/or improved with bond proceeds and that are not otherwise obligated to a project or other enforceable obligation, and (3) any other funds held by the Successor Agency that qualify as Excess Bond Proceeds under this Agreement. The amount of Excess Bond Proceeds that may be transferred is subject to Health and Safety Code section 34191.4(c).

(c) Projects Funded by Excess Bond Proceeds. The Successor Agency assigns to the City all responsibilities and contracts, if any, related to the administration of any projects or programs funded by Excess Bond Proceeds.

5. Use of Excess Bond Proceeds; City Obligations. The City shall have the following obligations under this Agreement:

(a) Retention of Excess Bond Proceeds. The City shall accept, hold, and disburse Excess Bond Proceeds transferred to the City pursuant to this Agreement, including current Excess Bond Proceeds and future Excess Bond Proceeds. The City shall retain any Excess Bond Proceeds that it receives, such as revenue generated from properties acquired or improved with Excess Bond Proceeds or payments on loans funded from Excess Bond Proceeds, without any obligation to return such funds to the Successor Agency, and shall use such funds for uses consistent with the applicable bond covenants.

(b) Use of Excess Bond Proceeds. The City may spend Excess Bond Proceeds received or retained under this Agreement on any project, program, or activity authorized by the City Council of the City, provided, however, that such expenditure(s) must be consistent with the original bond covenants applicable to the Excess Bond Proceeds, and must comply with all requirements of federal tax law and all applicable requirements of the California Community Redevelopment Law as to the use of such funds. The City shall be solely responsible for ensuring that Excess Bond Proceeds are maintained and spent in accordance with bond covenants and other applicable laws. The City may transfer funds between approved projects, programs and activities.

(c) Financial Records. The City shall maintain financial records evidencing the use and expenditure of the Excess Bond Proceeds, and shall make such records available to the Successor Agency upon request.

6. Project Approvals; Environmental Review. This Agreement is not intended to limit in any manner, the discretion of the City in connection with the issuance of approvals and entitlements for any project to be funded by Excess Bond Proceeds, nor to avoid legally required processes attendant to project approval, including, without limitation, the undertaking and completion of any required environmental review pursuant to the California Environmental Quality Act and the National Environmental Protection Act, as applicable, and the review and approval of plans and specifications.

7. Bond Debt Service. This Agreement shall not relieve the Successor Agency from paying, and shall not transfer the Successor Agency's obligation to pay, the outstanding debt service obligations owed with respect to the Excess Bond Proceeds. The Successor Agency shall continue paying all such obligations in compliance with each approved ROPS.

8. Entire Agreement. This Agreement constitutes the entire understanding and agreement of the parties with respect to the transfer and use of Excess Bond Proceeds. This Agreement integrates all of the terms and conditions mentioned herein or incidental hereto, and supersedes all negotiations or previous agreements between the parties with respect to the subject matter of this Agreement.

9. No Third-Party Beneficiaries. This Agreement is intended solely for the benefit of the City and the Successor Agency. Notwithstanding any reference in this Agreement to persons or entities other than the City and the Successor Agency, there shall be no third party beneficiaries under this Agreement.

10. Waivers; Amendments. Any waivers of the provisions of this Agreement and any amendments to this Agreement must be in writing and signed by the authorized representatives of the parties.

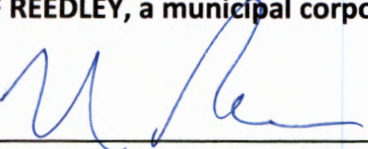
11. Severability. If any term, provision, covenant or condition of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions shall continue in full force and effect to the extent that the basic intent of the parties as expressed herein can be accomplished. In addition, the parties shall cooperate in good faith in an effort to amend or modify this Agreement in a manner such that the purpose of any invalidated or voided provision, covenant, or condition can be accomplished to the maximum extent legally permissible.

12. Binding on Successors. This Agreement shall be binding on and shall inure to the benefit of all successors and assigns of the parties, whether by agreement or operation of law.

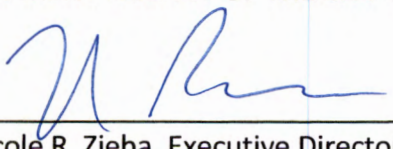
13. Further Assurances. Each party agrees to execute, acknowledge and deliver all additional documents and instruments, and to take such other actions as may be reasonably necessary to carry out the terms and intent of this Agreement.

In witness whereof, the undersigned parties have executed this Bond Expenditure Agreement as of the date first above written.

CITY OF REEDLEY, a municipal corporation

By: 
Nicole R. Zieba, City Manager

**SUCCESSOR AGENCY TO THE FORMER
REDEVELOPMENT AGENCY OF THE CITY OF REEDLEY**

By: 
Nicole R. Zieba, Executive Director

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BOND EXPENDITURE AGREEMENT

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B. Pursuant to a duly adopted resolution by the City Council, the City agreed to serve as the Successor Agency to the former Redevelopment Agency of the City of Reedley in accordance with Assembly Bill 1X 26 and applicable law.

C. The Successor Agency received its Finding of Completion under Health and Safety Code Section 34179.7 from the California Department of Finance on May 24, 2013.

D. Health and Safety Code (HSC) Section 34191.4(c)(2) authorizes a successor agency that has received a finding of completion to use bond proceeds derived from bonds issued on or after January 1, 2011, subject to certain provisions ("Excess Bond Proceeds").

E. HSC section 34191.4(c) (4) allows agencies with an approved Last and Final Recognized Obligation Schedule (Last and Final ROPS) to use up to 45 percent of the excess bond proceeds derived from bonds issued after December 31, 2010 which were issued, in part, to refinance existing bonds. The Successor Agency has bonds that meet this criteria, and therefore Excess Bond Proceeds, and anticipates ultimately being able to use up to 45 percent% 40% of the Excess Bond Proceeds derived from the 2011 Bonds as authorized by Health and Safety Code section 34191.4(c)(4), and wishes to use such Excess Bond Proceeds for authorized purposes consistent with applicable bond covenants. Until the Last and Final ROPS is approved, the Successor Agency is only eligible to transfer up to five percent of excess bond proceeds to the City, or up to 45 percent upon approval of a Last and Final ROPS....

F. The parties desire to enter into this Agreement to use the Excess Bond Proceeds for the purposes identified in and consistent with the bond covenants and applicable law, and to provide for the Successor Agency to transfer the Excess Bond Proceeds to the City to enable the City to use such funds, in a manner consistent with the bond covenants, to undertake authorized projects and programs.

G. In order to facilitate the use of Excess Bond Proceeds consistent with the bond covenants, the Successor Agency and the City have negotiated this Agreement requiring the transfer of current and future Excess Bond Proceeds from the Successor Agency to the City, and the City's use of such proceeds consistent with applicable bond covenants and all applicable law.

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(a) Current Excess Bond Proceeds. Upon the Effective Date, the Successor Agency shall transfer the Excess Bond Proceeds, plus any interest accrued on the 2011 Bonds up to the date of transfer, to the City, and the City shall deposit such funds into a separate Excess Bond Proceeds account for the City's use in accordance with the terms, conditions, and purposes set for in this Agreement. The Successor Agency is only eligible to transfer up to five percent of excess bond proceeds to the City until the Last and Final ROPS is approved; and or up to 45 percent upon approval of a Last and Final ROPS the Successor Agency is eligible to transfer up to 45 percent (45%) of excess bond proceeds to the City

(b) Future Excess Bond Proceeds. The Successor Agency shall transfer to the City, as soon as possible after such Excess Bond Proceeds become available, all future Excess Bond Proceeds held or received by the Successor Agency, including any interest accrued thereon. Such future Excess Bond Proceeds shall include, without limitation: (1) bond proceeds previously obligated to a project or other enforceable obligation that become unobligated for any reason, (2) bond proceeds that become available in the form of rents, sale proceeds, loan repayments, or other revenues that are generated by properties or other assets acquired and/or improved with bond proceeds and that are not otherwise obligated to a project or other enforceable obligation, and (3) any other funds held by the Successor Agency that qualify as Excess Bond Proceeds under this Agreement. The amount of Excess Bond Proceeds that may be transferred is subject to Health and Safety Code section 34191.4(c).

(c) Projects Funded by Excess Bond Proceeds. The Successor Agency assigns to the City all responsibilities and contracts, if any, related to the administration of any projects or programs funded by Excess Bond Proceeds.

5. Use of Excess Bond Proceeds; City Obligations. The City shall have the following obligations under this Agreement:

(a) Retention of Excess Bond Proceeds. The City shall accept, hold, and disburse Excess Bond Proceeds transferred to the City pursuant to this Agreement, including current Excess Bond Proceeds and future Excess Bond Proceeds. The City shall retain any Excess Bond Proceeds that it receives, such as revenue generated from properties acquired or improved with Excess Bond Proceeds or payments on loans funded from Excess Bond Proceeds, without any obligation to return such funds to the Successor Agency, and shall use such funds for uses consistent with the applicable bond covenants.

(b) Use of Excess Bond Proceeds. The City may spend Excess Bond Proceeds received or retained under this Agreement on any project, program, or activity authorized by the City Council of the City, provided, however, that such expenditure(s) must be consistent with the original bond covenants applicable to the Excess Bond Proceeds, and must comply with all requirements of federal tax law and all applicable requirements of the California Community Redevelopment Law as to the use of such funds. The City shall be solely responsible for ensuring that Excess Bond Proceeds are maintained and spent in accordance with bond covenants and other applicable laws. The City may transfer funds between approved projects, programs and activities.

~~(c) Projects Funded by Excess Bond Proceeds. The City assumes all contracts, if any, entered into by the Successor Agency or the former Redevelopment Agency related to activities to be funded by Excess Bond Proceeds, with the exception of any contracts retained by the Successor Agency relating to enforceable obligations. The City shall perform its obligations hereunder, and under such assumed contracts, in accordance with the applicable provisions of federal, state and local laws, and shall timely complete the work required for each project.~~

(dc) Financial Records. The City shall maintain financial records evidencing the use and expenditure of the Excess Bond Proceeds, and shall make such records available to the Successor Agency upon request.

6. Project Approvals; Environmental Review. This Agreement is not intended to limit in any manner, the discretion of the City in connection with the issuance of approvals and entitlements for any project to be funded by Excess Bond Proceeds, nor to avoid legally required processes attendant to project approval, including, without limitation, the undertaking and completion of any required environmental review pursuant to the California Environmental Quality Act and the National Environmental Protection Act, as applicable, and the review and approval of plans and specifications.

~~7. Project Management Costs. Pursuant to Health and Safety Code section 34171(b), the Successor Agency shall request a distribution of RPTTF on each applicable ROPS as may be necessary to cover estimated project management costs associated with authorized projects. The Successor Agency shall transfer ROPS approved RPTTF to the City or its designee to pay for actual project management costs, including reimbursement of eligible costs that may have been expended by the City prior to this Agreement or inclusion on a ROPS. To the extent RPTTF is not approved on a ROPS to pay for actual project management costs, the City shall not be obligated to proceed with the project, and may choose, it is sole discretion to retain unexpended Excess Bond Proceeds for a subsequent ROPS cycle or return unexpended Excess Bond Proceeds to the Successor Agency.~~

78. Bond Debt Service. This Agreement shall not relieve the Successor Agency from paying, and shall not transfer the Successor Agency's obligation to pay, the outstanding debt service obligations owed with respect to the Excess Bond Proceeds. The Successor Agency shall continue paying all such obligations in compliance with each approved ROPS.

89. Entire Agreement. This Agreement constitutes the entire understanding and agreement of the parties with respect to the transfer and use of Excess Bond Proceeds. This Agreement integrates all of the terms and conditions mentioned herein or incidental hereto, and supersedes all negotiations or previous agreements between the parties with respect to the subject matter of this Agreement.

940. No Third-Party Beneficiaries. This Agreement is intended solely for the benefit of the City and the Successor Agency. Notwithstanding any reference in this Agreement to persons or entities other than the City and the Successor Agency, there shall be no third party beneficiaries under this Agreement.

1044. Waivers; Amendments. Any waivers of the provisions of this Agreement and any amendments to this Agreement must be in writing and signed by the authorized representatives of the parties.

1142. Severability. If any term, provision, covenant or condition of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions shall continue in full force and effect to the extent that the basic intent of the parties as expressed herein can be accomplished. In addition, the parties shall cooperate in good faith in an effort to amend or modify this Agreement in a manner such that the purpose of any invalidated or voided provision, covenant, or condition can be accomplished to the maximum extent legally permissible.

1243. Binding on Successors. This Agreement shall be binding on and shall inure to the benefit of all successors and assigns of the parties, whether by agreement or operation of law.

1344. Further Assurances. Each party agrees to execute, acknowledge and deliver all additional documents and instruments, and to take such other actions as may be reasonably necessary to carry out the terms and intent of this Agreement.

In witness whereof, the undersigned parties have executed this Bond Expenditure Agreement as of the date first above written.

CITY OF REEDLEY, a municipal corporation

By: _____
Nicole Zieba, City Manager

**SUCCESSOR AGENCY TO THE FORMER
REDEVELOPMENT AGENCY OF THE CITY OF REEDLEY**



EDMUND G. BROWN JR. • GOVERNOR

915 L STREET • SACRAMENTO CA 95814-3706 • WWW.DOF.CA.GOV

February 27, 2017

Mr. Gary Watahira, Director of Finance & Administrative Services
City of Reedley
1717 9th Street
Reedley, CA 93654

Dear Mr. Watahira:

Subject: Objection of Oversight Board Action

The City of Reedley Successor Agency (Agency) notified the California Department of Finance (Finance) of its January 17, 2017 Oversight Board (OB) resolution on January 18, 2017. Pursuant to Health and Safety Code (HSC) section 34179 (h), Finance has completed its review of the OB action.

Based on our review and application of the law, the Agency's OB Resolution No. 2017-001, approving a Bond Expenditure Agreement (Agreement) between the Agency and the City of Reedley (City), is not approved.

Pursuant to HSC 34191.4 (c), the Agency received its Finding of Completion on May 24, 2013 and may now use a portion of the bond proceeds issued on or after January 1, 2011 in a manner consistent with the original bond covenants. The Agency states they have excess bond proceeds derived from the 2011 Tax Allocation Bond, Series A (Bonds). According to the OB Resolution and Paragraph E of the Agreement, the Agency desires to transfer to the City 45 percent of excess bond proceeds derived from the Bonds.

HSC section 34191.4 (c) (4) allows agencies with an approved Last and Final Recognized Obligation Payment Schedule (Last and Final ROPS) to use up to 45 percent of the excess bond proceeds derived from bonds issued after December 31, 2010 which were issued, in part, to refinance existing bonds.

However, the Agency does not have an approved Last and Final ROPS; therefore, the bonds are currently subject to HSC section 34191.4 (c) (2) (A), which allows the use of up to five percent of the excess bond proceeds derived from bonds issued after December 31, 2010.

Additionally, part (1) of Paragraph 4 of the Agreement allows the Agency to transfer to the City any previously encumbered bond proceeds that may become unencumbered. Finance reminds the Agency they are only eligible to transfer up to five percent of excess bond proceeds to the City, or up to 45 percent upon approval of a Last and Final ROPS.

Finally, Paragraphs 5 (c) and 7 of the Agreement provide for the Agency to request Redevelopment Property Tax Trust Funds (RPTTF) to reimburse the City for costs incurred in the management of future projects funded by excess bond proceeds. Because this agreement

Mr. Gary Watahira
February 27, 2017
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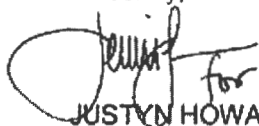
states the City will undertake authorized projects and programs, costs related to the project and the management of these projects and programs will be the responsibility of the City, not the Agency. These costs may be funded by other funds legally available to the City or, to the extent allowable, by the excess bond proceeds.

In accordance with HSC section 34191.4 (c) (2) (C), the remaining portion of the excess bond proceeds must be used to defease the Bonds or to repurchase the Bonds on the open market for cancellation.

As authorized by HSC section 34179 (h), Finance is returning your OB action to the board for reconsideration.

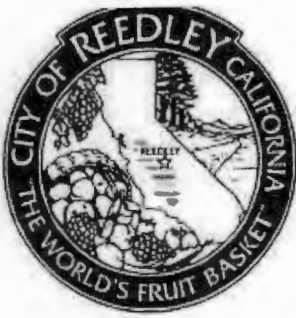
Please direct inquiries to Nichelle Thomas, Supervisor, or Alexander Watt, Lead Analyst, at (916) 322-2985.

Sincerely,

A handwritten signature in black ink, appearing to read "Justin Howard", is written over a circular stamp. The signature is fluid and cursive.

JUSTIN HOWARD
Program Budget Manager

cc: Ms. Lori Oken, Accounting Manager, City of Reedley
Mr. George Gomez, Accounting Financial Manager, Fresno County



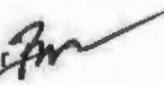
REEDLEY CITY COUNCIL

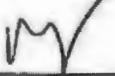
- ☒ Consent
- ☐ Regular Item
- ☐ Workshop
- ☐ Closed Session
- ☐ Public Hearing
- ☐ Receive/Review

ITEM NO: 3

DATE: March 14, 2017

TITLE: APPROVE & AUTHORIZE THE CITY MANAGER TO EXECUTE AN AMENDED BOND EXPENDITURE AGREEMENT BETWEEN THE SUCCESSOR AGENCY AND THE CITY OF REEDLEY

SUBMITTED: Paul A. Melikian, Assistant City Manager 

APPROVED: Nicole R. Zieba, City Manager 

RECOMMENDATION

That the City Council approve and authorize the City Manager to execute an amended Bond Expenditure Agreement between the Successor Agency and the City of Reedley to transfer current and excess bond proceeds to the City for use of funds in a manner consistent with bond covenants, and to undertake authorized projects and programs.

EXECUTIVE SUMMARY

The City Council adopted Resolution No. 2016-109 approving a Bond Expenditure Agreement ('Agreement') on December 13, 2016. Subsequently, the Oversight Board for the Successor Agency met and approved the Agreement on January 17, 2017 at a Special Meeting. The Agreement was then submitted to the State of California Department of Finance (DOF) for review. Pursuant to Health and Safety Code section 34179 (h), DOF completed their review and objected to the Oversight Board Action in a letter dated February 27, 2017 for the following reasons:

- The Agreement did not specify that the use of up to 45 percent of excess bond proceeds was contingent upon an approved Last and Final Recognized Obligation Schedule (Last and Final ROPS). Until a Last and Final ROPS is approved, the Successor Agency is only eligible to transfer up to five percent of excess bond proceeds to the City. Since the Oversight Board will need to consider and approve the amended Agreement before the DOF will review it again, staff plans to use the meeting to bring forward the Last and Final ROPS for the board's consideration, so that there are no further delays in accessing the full percentage of bond proceeds allowable under law.
- The DOF objected to paragraphs 5(c) and 7 of the original agreement because it will be the City that will undertake authorized projects and programs; therefore costs related to the project and the management of these projects and programs will be the responsibility of the City, not the Successor Agency. The subject paragraphs in the original agreement essentially left the door open for the Successor Agency to cover project contract or management costs. The amended Agreement removes those paragraphs entirely.

Staff has submitted the attached amended Agreement to the DOF for a 'pre-review' to ensure a successful review and approval. Although DOF representatives could not promise approval of the revised document, they did not identify any remaining issues with it. Upon City Council approval of the amended Agreement, staff will work to schedule an Oversight Board meeting before the end of March 2017.

ATTACHMENTS

Letter from Department of Finance dated February 27, 2017
Amended Bond Expenditure Agreement
Original Bond Expenditure Agreement with Proposed Revisions