



County of San Mateo

Inter-Departmental Correspondence

Department: COUNTY MANAGER

File #: 18-282

Board Meeting Date: 4/10/2018

Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors
From: Mike Callagy, Assistant County Manager
Subject: Request from the Successor Agency to the San Carlos Redevelopment Agency to Approve Subordination of Pass-Through Payments

RECOMMENDATION:

Adopt a resolution approving on behalf of the County of San Mateo and the San Mateo County Library the Pass-Through Payment Subordination Request from the Successor Agency to the San Carlos Redevelopment Agency.

BACKGROUND:

Pursuant to Section 34177.5(a) of the California Health and Safety Code, the Successor Agency to the San Carlos Redevelopment Agency ("Successor Agency") intends to refinance its outstanding 2007 bonds to achieve debt service savings.

As a result of the issuance of refunding bonds, the Successor Agency has requested approval of subordination of the negotiated pass-through payments received by the County and the San Mateo County Library ("Library") from the San Carlos Redevelopment Property Tax Trust Fund ("RPTTF") pursuant to the pass-through agreement between the County, the San Mateo County Library, and the Redevelopment Agency of the City of San Carlos dated June 30, 1986 ("Pass-Through Agreement").

DISCUSSION:

Before the dissolution of redevelopment agencies in California, pass-through agreements, sometimes called tax sharing agreements, were contractual arrangements by which taxing entities would continue to be allocated property tax increment revenues derived from properties within a redevelopment area that would otherwise have been allocated to the redevelopment agency. The County and the Library-an entity governed by the Board of Supervisors and also known as the San Mateo County Free Library-jointly entered into such agreement with the San Carlos Redevelopment Agency.

Pursuant to Section 3 of the Pass-Through Agreement, the Successor Agency is entitled to request that the County and the Library subordinate their pass-through payments to secure repayment of the agency's indebtedness. The terms of the agreement require the County and the Library to comply

with any such request so long as the Successor Agency satisfactorily demonstrates its anticipated ability to repay such indebtedness without making a demand on the subordinated pass-through payments.

The Successor Agency has provided its consultant's projections that the RPTTF has sufficient annual funding, after accounting for administrative costs and anticipated annual debt service payments of approximately \$980,000, to cover the projected pass-through payments due to the County and the Library. In FY 2016-17 the RPTTF had approximately \$2.4 million in residual revenues (not including negotiated pass-through payments) to be distributed to the affected taxing agencies after paying all obligations.

County Counsel has reviewed and approved the resolution as to form.

Approval of this agreement contributes to the Shared Vision of a Collaborative Community by approaching issues with fiscal accountability and concern for future impacts by addressing and participating in opportunities for taxing entities to more responsibly use tax-payer dollars and lower costs.

PERFORMANCE MEASURE:

Measure	FY 2018-18 Actual	FY2018-19 Projected
Percent of annual pass-through payments, as provided in the Pass-through Agreement, received by the County	100%	100%

FISCAL IMPACT:

Following the Successor Agency's closing of the sale of its refunding bonds, sufficient funds should continue to be available in the RPTTF to pay the pass-through amounts payable to the County and the Library. Moreover, even if the RPTTF did not have sufficient funds to cover both its negotiated pass-through payments and its debt service obligations, the pass-through payments would not be forfeited, but instead would be payable in the next Recognized Obligation Payment Schedule ("ROPS") period in which there is sufficient RPTTF funds to cover both the debt service obligations and the statutory pass-throughs.

The County received approximately \$2.7 million and the Library received approximately \$390,000 in pass-through payments from the RPTTF during FY 2016-17.