



City of Rialto

Legislation Text

File #: 18-285, **Version:** 1

For City Council Meeting [April 24, 2018]

TO: Honorable Mayor and City Council

APPROVAL: Robb Steel, Interim City Administrator

Request City Council to Approve Amended and Restated Agreement to Transfer Funds between the City of Rialto and the Rialto Unified School District allowing RUSD to Receive Sales Proceeds from the Area A Contract of Sale and authorizing staff to release a check for \$376,000 to the Rialto Unified School District.

(ACTION)

BACKGROUND:

On August 22, 2017, the City Council approved two Compensation Agreements allowing the City to acquire, at no cost, certain Rialto Successor Agency parcels for the proposed Fire Station 205 site and a park site in the Renaissance Specific Plan. A third Compensation Agreement authorized the disposition of the Area A site as defined in the Area A Contract of Sale with Lewis Hillwood Rialto Company LLC ("Area A Contract").

Pursuant to the Redevelopment Dissolution Act, the City negotiated Compensation Agreements with the following taxing entities for Area A, Fire Station 205, and park sites: 1) County of San Bernardino; 2) County Superintendent of Schools; 3) San Bernardino Community College District; 4) Rialto Unified School District; 5) Inland Empire Joint Resource Conservation District; 6) Chaffey Community College District; 7) Fontana Unified School District; 8) West Valley Water District; 9) San Bernardino Valley Municipal Water District; 10) Inland Empire Utilities Agency; and, 11) the Colton Unified School District for the Fire Station and Park compensation agreements. In December 2017, the above entities approved the Compensation Agreements.

ANALYSIS/DISCUSSION:

On March 13, 2017, the City transferred a portion of the Area A parcels to LHR pursuant to the Area A Contract. The purchase price for the first LHR transfer under the Area A Contract was \$1,251,827.56 - the escrow agent held the proceeds pending execution of a compensation agreement with the affected taxing entities ("Area A Proceeds").

In early 2017, the City and the Rialto Unified School District (RUSD) discussed a proposal allowing the City to retain RUSD's share of the Area A sales proceeds for expenditure by the City on joint RUSD and City capital projects. On May 17, 2017, the RUSD Board prematurely approved the Area A Compensation Agreement that RUSD executed and sent to staff (**Exhibit A**). During this period, the City and the County of San Bernardino remained engaged in negotiations that ended in July 2017.

In August 2017, staff emailed the final Area A Compensation Agreement (Final Area A Compensation Agreement) to each entity for execution. RUSD signed the Final Area A Compensation Agreement (**Exhibit B**). Section B of the Final Area A Compensation Agreement states the following:

“Notwithstanding anything to the contrary herein, the City shall be allowed to retain 31.5269244% of the Applicable Net Purchase Price representing the share of Applicable Net Purchase Price proceeds payable to Rialto Unified School District, which funds shall be used by the City for eligible capital improvements within the City”

In February 2018, escrow distributed the Area A Proceeds to the taxing entities -- RUSD's portion was \$376,000. Staff contacted RUSD to deposit these funds in an escrow account for future expenditure in accordance with Section B of the Final Area A Compensation Agreement. RUSD was surprised about the Section B terms. RUSD requested that the City eliminate the clause and distribute the \$376,000 to RUSD (**Exhibit C**). Escrow issued a check for \$376,000 payable to RUSD - the City currently holds the checks pending amendment of the Compensation Agreement to correct the conflict of terms.

The City and its financial/legal advisors contend that the school district derives no benefit from the payment under the dissolution statutes. Health and Safety Code Section 34188 requires RUSD to report the receipts as property taxes, which will cause a reduction in other state equalization aid. The City proposed that it would retain the funds but expend them on projects of mutual benefit such as the Safe Routes to School Program. RUSD contends otherwise and prefers to receive the funds, as it is entitled.

The City Attorney prepared an agreement (**Exhibit D**) between the City and RUSD that eliminates Section B and releases the \$376,000 check to RUSD.

ENVIRONMENTAL IMPACT:

The approval of the compensation agreements is not a project under the California Environmental Quality Act and does not require subsequent environmental analysis.

GENERAL PLAN CONSISTENCY:

The proposed contracts and subsequent development of the sites will meet the following Goals of the Rialto General Plan:

Goal 2-21: Ensure high-quality planned developments in Rialto.

Goal 3-1: Strengthen and diversify the economic base and employment opportunities, and maintain a positive business climate.

Goal 3-3: Attract, expand, and retain commercial and industrial businesses to reduce blighted conditions and encourage job growth.

LEGAL REVIEW:

The City Attorney has reviewed and approved the staff report and the agreement.

FINANCIAL IMPACT:

Operating Budget Impact

There is no impact to this Budget.

Capital Budget Impact

The City will release a check of \$376,000 to RUSD that will result in less capital project funding for mutual projects.

RECOMMENDATION:

Staff recommends that the City Council approve the Amended and Restated Agreement to Transfer Funds between the City of Rialto and the Rialto Unified School District allowing RUSD to retain its share of sales proceeds from the Area A Contract of Sale and authorize staff to release a check of \$376,000 to the Rialto Unified School District.