



Approved:

Gary A. Napper
City Manager

STAFF REPORT

TO: COUNTYWIDE OVERSIGHT BOARD OF CONTRA COSTA COUNTY

FROM: KEVIN MIZUNO, FINANCE MANAGER, CPA

DATE: JANUARY 28, 2019

SUBJECT: ADOPT A RESOLUTION TO APPROVE AND ADOPT THE RECOGNIZED OBLIGATION PAYMENT SCHEDULE FOR THE YEAR ENDING JUNE 30, 2020 (ROPS 2019-2020), PURSUANT TO THE DISSOLUTION ACT

RECOMMENDATION

It is recommended the Countywide Oversight Board of Contra Costa County adopt the attached Resolution approving the Recognized Obligation Payment Schedule (ROPS 2019-2020) covering the timeframe July 1, 2019 through June 30, 2020 pursuant to Section 31471(h) and 34177(l)(1) of the California Redevelopment Law – the Dissolution Act, [ABx1 26 and AB 1484].

BACKGROUND

Under the Dissolution Act, “enforceable obligations” of the former redevelopment agency (e.g. Clayton Redevelopment Agency) include the following financial arrangements (the ROPS of a city or county):

- Bonds
- Loans
- Payments required by state or federal government
- Obligations to employees
- Judgments or settlements
- Binding and legally enforceable agreements entered into before AB1x26
- Contracts for Redevelopment Agency (RDA) administration, Successor Agency administration, and Oversight Board administration

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The monies to fund payment of the requested ROPS enforceable obligations are issued by the Contra Costa County Auditor-Controller's Office (CAC) to Clayton's Redevelopment Obligation Retirement Fund. As its name implies, this fund replaces the former Redevelopment Agency's three Funds and functions as the repository for sufficient tax increment revenues in the amounts identified and approved in subsequent ROPS to effectively "retire" all former Clayton Redevelopment Agency debts and contractual obligations over a multi-year period. Once all identified and certified debts and obligations have been satisfied, the Successor Agency is then dissolved.

Pursuant to *California Health and Safety Code* section 34179(j), on and after July 1, 2018 in each county where more than one oversight board was created (including Contra Costa County), there shall be only one County Oversight Board staffed by the County Auditor-Controller. The Countywide Oversight Board of Contra Costa County is comprised of a seven member board consisting of one member from each of the following groups: County Board of Supervisors, Mayors Conference, Special Districts, the Superintendent of Schools, Community College District, a member of the public, and a former employee of a County public agency. Following this reorganization of the Oversight Board, commencing July 1, 2018 the Department of Finance (DOF) only recognizes actions taken by the newly established Countywide Oversight Board.

DISCUSSION

Prior Recognized Obligation Payment Schedule

A DOF Determination Letter dated April 12, 2018 accepted the Clayton Oversight Board-approved ROPS 2018-2019. Following the DOF's approval this resulted in the Clayton Successor Agency receiving \$661,053 in June 2018 for enforceable obligations through the six month period ending December 31, 2018. Also, pursuant to the DOF's April 12, 2018 determination letter, the Clayton Successor Agency expects to receive \$124,904 in January 2019 for enforceable obligations through the six month period ending June 30, 2019.

Current Recognized Obligation Payment Schedule

Included herein, as Attachment 1 to this staff report, is the Recognized Obligation Payment Schedule (ROPS 2019-2020). Pursuant to *California Health & Safety Code* section 34177(o)(1), commencing with the ROPS 2016-2017 and thereafter, agencies were authorized to submit an annual ROPS to the DOF and the CAC by February 1, 2016 and each February 1st thereafter. Following the annual submission of an approved ROPS, the DOF has been directed to make its determination of approval by the following April 15th.

On this annual ROPS, the Successor Agency is requesting Redevelopment Property Tax Trust Fund (RPTTF) monies to pay for local obligations totaling \$720,213 and \$147,138 for the six month periods ending December 31, 2019 and June 30, 2020, respectively. In addition to RPTTF, the Successor Agency is requesting authorization to use other unencumbered Successor Agency

balances to make payments on enforceable obligations consistent with the law and the DOF's April 12, 2018 determination letter.

For the six month period ending December 31, 2019 the Successor Agency is requesting authorization to make payments on the following enforceable obligations:

- Principal and interest on the 2014 Refunding Tax Allocation Bonds,
- Trustee and other professional service fees directly related to the bonds,
- Third of four scheduled repayments on the SERAF loan from the Successor Housing Fund (No. 616) to Successor Agency Fund (No. 615), and
- Administrative costs under *California Health & Safety Code* section 34171(b).

Immediately thereafter, for the six month period ending June 30, 2020, the Successor Agency is requesting authorization to make payments on the following enforceable obligations:

- Interest on the 2014 Refunding Tax Allocation Bonds, and
- Administrative costs under *California Health & Safety Code* section 34171(b).

Supplemental Educational Revenue Augmentation Fund (SERAF) Loan

During FY 2009-10, as part of emergency measures to address its own budgetary issues, the State of California imposed a two year raid on local redevelopment agencies in the form of SERAF demands. To the former Agency, this meant an astounding \$2,371,940 in SERAF payments was required to be made to the CAC between FY 2009-10 and FY 2010-11. In order to meet this massive obligation, an intra-agency loan of \$592,412 was established from the RDA's low-moderate income fund to its non-housing fund on May 19, 2010. The principal amount of this loan was originally scheduled for repayment in four equal installments of \$148,103 commencing FY 2011-12 and ending in FY 2014-15. With the state-imposed dissolution of redevelopment agencies effective February 1, 2012 and the rigorous new restrictions on SERAF loan repayments established through AB1484, the full principal balance the SERAF loan is currently outstanding and unpaid.

SERAF loans became eligible for repayment starting in the six month period ending December 31, 2014, provided the following three circumstances are met: (1) The Successor Agency has completed its DDRs; (2) the results of the DDRs are reviewed by the Oversight Board; and (3) the Successor Agency has received a Notice of Completion by the DOF. In accordance with the law, on September 20, 2016 the Clayton Successor Agency Board adopted Resolution No. 02-2016SA approving an agreement and repayment schedule for the SERAF loan in accordance with *California Health & Safety Code* section 34171(d)(1)(G). Consistent with the Oversight Board's original approval of the SERAF loan repayment terms on April 26, 2012, the balance of the SERAF loan will be payable to the Successor Housing Agency in four equal principal installments of \$148,103 beginning in the fiscal year 2017-18 and ending in the fiscal year 2020-21 ROPS period.

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Accordingly, the ROPS 2019-2020 includes the third SERAF loan repayment request for the six month period ending December 31, 2019.

FISCAL IMPACT

Once approved by the Countywide Oversight Board and subsequently the DOF, ROPS 2019-2020 will be in place for the Clayton Successor Agency to make payments on agreements and other obligations of the former Redevelopment Agency for the period of time July 1, 2019 through June 30, 2020. Absent this approval the Clayton Successor Agency is not permitted to make such payments which would cause the Successor Agency to be in breach of legal bond covenants.

Attachments:

1. Successor Agency Resolution approving the ROPS 2019-2020 Resolution (2 pp.)
 - o Exhibit A: Recognized Obligation Payment Schedule 2019-2020 (5 pp.)