



## CONTRA COSTA COUNTYWIDE OVERSIGHT BOARD REPORT

**DATE:** January 28, 2019

**TO:** CONTRA COSTA COUNTYWIDE OVERSIGHT BOARD

**FROM:** THE SUCCESSOR AGENCY TO THE RICHMOND COMMUNITY REDEVELOPMENT AGENCY

**SUBJECT:** APPROVAL OF THE RECOGNIZED OBLIGATION PAYMENT SCHEDULE (ROPS 19-20) AND THE ADMINISTRATIVE BUDGET FOR THE PERIOD JULY 1, 2019 THROUGH JUNE 30, 2020, PURSUANT TO CALIFORNIA HEALTH AND SAFETY CODE SECTIONS 34177(o), AND 34171(a),(b), AND 34177(j), REPECTIVELY.

### **STATEMENT OF THE ISSUE:**

The Contra Costa Countywide Oversight Board is required to approve a Recognized Obligation Payment Schedule ("ROPS") and an administrative budget annually pursuant to California Health and Safety Code Sections 34177(o) and 34171(a),(b), and 34177(j), respectively.

### **RECOMMENDED ACTION:**

ADOPT a resolution approving the Successor Agency to the Richmond Community Redevelopment Agency's Recognized Obligation Payment Schedule and an administrative budget for the period July 1, 2019 through June 30, 2020 ("ROPS 19-20") pursuant to California Health and Safety Code Sections 34177(o) and 34171(a),(b), and 34177(j), respectively.

### **FINANCIAL IMPACT OF RECOMMENDATION:**

Adoption of the Recognized Obligation Payment Schedule including the administrative budget is a necessary action for the Successor Agency to expend former Richmond Community Redevelopment Agency funds on certain financial obligations of the Agency. Funds not obligated on ROPS 19-20 will be unavailable for Successor Agency debt and other obligations and those funds will be redirected to local taxing entities.

## **DISCUSSION:**

### *Background*

ABx1 26 (“Dissolution Act”) suspended all new redevelopment activities and incurrence of indebtedness by terminating virtually all otherwise legal functions of redevelopment agencies and mandating a liquidation of any assets for the benefit of local taxing agencies. Some debts are allowed to be repaid, but any such remittances are to be managed by a successor agency that functions primarily as a debt repayment administrator. The successor agency cannot initiate any new redevelopment projects or programs. The activities of the successor agency are overseen by a countywide oversight board, comprised primarily of representatives of other taxing agencies throughout the county, until such time as the remaining debts of the former redevelopment agency are paid off, all former agency assets are liquidated, and all property taxes redirected to local taxing agencies.

Under the Dissolution Act, the portion of property tax revenues collected in the Redevelopment Agency (“RDA”) Project Areas, which were considered Tax Increment prior to RDA dissolution, are now called Redevelopment Property Tax and are deposited by the County Auditor-Controller into the Redevelopment Property Tax Trust Fund (“RPTTF”). The County Auditor-Controller distributes the funds in the RPTTF with the following priority:

1. County Auditor-Controller’s administrative costs;
2. Pass-through payments to the taxing entities affected by the Redevelopment Plan for the Project Area, calculated the same as prior to RDA dissolution;
3. Distribution to the Successor Agency to retire the former RDA’s obligations; and
4. Distribution of residual funds to taxing entities.

A budget trailer bill drafted by the State Department of Finance (“DOF”) purportedly to “clean up” certain conflicting and confusing provisions of ABx1 26 was signed by Governor Jerry Brown on June 27, 2012. This bill, AB 1484, made several substantive changes to ABx1 26 including a provision that successor agencies that do not submit an approved Recognized Obligation Payment Schedule (“ROPS”) by the statutory deadlines will be assessed a \$10,000 per day penalty for lateness.

On September 22, 2015, Governor Jerry Brown signed SB 107; which made several significant changes to the redevelopment dissolution process, including modification of the ROPS submittal cycle from six month to 12 month intervals.

Under Health and Safety Code Section 34177(o), a ROPS must be prepared and submitted on February 1st of every year and list all of the “enforceable obligations” of the former agency. The ROPS is subject to approval by the Countywide Oversight Board and DOF before the County Auditor-Controller disburses funding for payments on the approved ROPS. “Enforceable obligations” include: bond payments; loans legally required to be repaid pursuant to a payment schedule with mandatory repayment terms; payments required by the federal government; preexisting obligations to the state or obligations imposed by state law; judgments, settlements or binding arbitration decisions that bind the agency; legally binding and enforceable agreements or contracts; and contracts or agreements necessary for the continued administration or operation of

the successor agency, including agreements to purchase or rent office space, equipment and supplies.

After submittal, DOF has until April 15th to review the ROPS and approve or disapprove of any items. The Successor Agency can request additional review by DOF and an opportunity to meet and confer on disputed items. The Successor Agency must make a request within five business days of receiving a DOF determination. DOF is required to notify the Successor Agency and County Auditor-Controller of its final determination of the approved payments at least 15 days prior to the first distribution date of RPTTF for the ROPS, which is June 1st. RPTTF is distributed twice annually, on June 1st and January 2nd of each year. The annual ROPS can be amended once per year as long as the amendment is received by DOF before October 1<sup>st</sup> of the applicable fiscal year.

### Summary

#### **Recognized Obligation Payment Schedule (ROPS 19-20)**

ROPS 19-20 is Exhibit A to the attached Successor Agency resolution. It includes: 1) A summary of the funding request; 2) An itemized listing of obligations (“ROPS Detail”); and 3) A report of cash balances. ROPS 19-20 covers payments due during the period of July 1, 2019 through June 30, 2020.

Obligations with remaining outstanding balances are included on ROPS 19-20, whether previously approved by DOF or in dispute. They are as follows:

Bond, Loan and Other Debt Service Payments	\$18,683,549
Project Management Costs	199,000
Project Costs	4,134,000
Administrative Costs	295,026
Litigation Expenses	366,500
ROPS 19-20 Required Funding	<u><u>\$23,678,075</u></u>

Of the total ROPS 19-20 required funding, Reserve Balances held with the bond trustee are estimated to be \$6,231,983; Prior Period RPTTF Reserve balances are estimated to be \$2,583,290; Current RPTTF is estimated to be \$10,328,776; Administrative RPTTF is estimated to be \$295,026; funding from project bond proceeds is estimated to be \$65,000; and other funding is estimated to be \$4,174,000. Other funding includes the following sources: land sale proceeds, property sale proceeds, litigation settlement proceeds, loan repayments, and federal, state and local grants.

#### **Successor Agency Administrative Budget July 1, 2019 through June 30, 2020**

Pursuant to Health and Safety Code Sections 34171(a), (b), and 34177(j), the Successor Agency must prepare a budget for administrative expenses each fiscal year (“Administrative Budget”). In accordance with the Dissolution Act, the Successor Agency’s RPTTF administrative cost allowance cap is the greater of 3% of the prior year RPTTF distribution or \$250,000 annually. For

the period July 1, 2019 through June 30, 2020, the RPTTF administrative cost allowance cap is \$295,026. The Administrative Budget is Exhibit B to the attached Successor Agency resolution.

ROPS 19-20 is consistent with the final determinations of DOF to date, and is required to be submitted to DOF by February 1, 2019 to avoid daily penalties. Upon receiving the Oversight Board's approval, staff will submit ROPS 19-20 to the County Auditor-Controller, the State Controller, and the DOF.

**DOCUMENTS ATTACHED:**

Attachment 1 – Resolution

Attachment 2 – Exhibit A to Resolution (ROPS 19-20)

Attachment 3 – Exhibit B to Resolution (Administrative Budget)