



CONTRA COSTA COUNTYWIDE OVERSIGHT BOARD REPORT

DATE: January 25, 2021

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 21-22) AND THE ADMINISTRATIVE BUDGET FOR THE PERIOD JULY 1, 2021 THROUGH JUNE 30, 2022, 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, 2021 through June 30, 2022 ("ROPS 21-22") 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. Residual tax revenues not obligated on ROPS 21-22 are distributed 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 1st of the applicable fiscal year.

Summary

Recognized Obligation Payment Schedule (ROPS 21-22)

ROPS 21-22 is Exhibit A to the attached Contra Costa Countywide Oversight Board 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. This ROPS covers payments due during the period of July 1, 2021 through June 30, 2022.

The Agency anticipates a refunding bond sale in February 2021 to achieve debt service savings. The proposed ROPS 21-22 includes estimated debt service payments for the new refunding bonds (ROPS lines 129, 130) that are contingent upon the successful sale of the refunding bonds. Upon sale, the Agency will work with the DOF during its ROPS review period to remove the retired bonds (2004B, ROPS line 7; 2010A, ROPS line 12) and adjust the 2004A bond funding due to extinguishment of the 2007 indenture prefunding requirements (ROPS line 5) in the authorized ROPS 21-22 tax distribution. This will deliver debt service refunding savings to the taxing agencies with the June 2021 (ROPS 21-22 Cycle A) tax distribution.

The following is a summary of ROPS 21-22 Obligations submitted for approval.

ROPS Obligation Summary

	<u>Paid from</u>	<u>Paid from</u>	
	<u>Tax Revenues</u>	<u>Reserves and</u>	<u>Total</u>
		<u>Other Sources</u>	
Debt Service	\$ 13,603,286	\$ 8,886,643	\$ 22,489,928
Capital Projects	-	3,288,406	3,288,406
Project Management	90,000	-	90,000
Administration	409,709	-	409,709
	<u>\$ 14,102,995</u>	<u>\$ 12,175,049</u>	<u>\$ 26,278,043</u>

Pending Amendment for Retired Bond Deletions Upon Sale of 2021 Refunding Bonds	(2,700,770)
	<u>\$ 11,402,224</u>

Successor Agency Administrative Budget July 1, 2021 through June 30, 2022

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, 2021 through June 30, 2022, the RPTTF administrative cost allowance cap is \$409,709.

ADMINISTRATIVE BUDGET
Fiscal Year 2021-2022

Revenue Summary

RPTTF Administrative Allowance	\$	409,709
	\$	409,709

Expenditure Summary

Salary and Benefits	\$	230,000
Professional and Administrative Expenses	\$	108,709
Other Operating Expenses	\$	21,000
City Cost Allocation Plan	\$	50,000
	\$	409,709

Upon receiving the Oversight Board’s approval, staff will submit ROPS 21-22 to the County Auditor-Controller, the State Controller, and the DOF. The approved ROPS 21-22 is required to be submitted to DOF by February 1, 2021 to avoid daily penalties.

DOCUMENTS ATTACHED:

- Attachment 1 – Resolution
- Attachment 2 – Exhibit A to Resolution (ROPS 21-22)
- Attachment 3 – Exhibit B to Resolution (Administrative Budget)