

# COUNTYWIDE OVERSIGHT BOARD REPORT



**DATE: JANUARY 25, 2021**  
**TO: COUNTYWIDE OVERSIGHT BOARD**  
**FROM: MATT RODRIGUEZ, EXECUTIVE DIRECTOR**  
**SUBJECT: SAN PABLO LOCAL SUCCESSOR AGENCY RECOGNIZED OBLIGATION PAYMENT SCHEDULE AND ADMINISTRATIVE BUDGET FOR FISCAL YEAR 2021-22**

## **RECOMMENDATION**

Adopt resolution approving an administrative budget and the Recognized Obligation Payment Schedule for Fiscal Year 2021-22 (“ROPS 21-22”) for the San Pablo Local Successor Agency.

## **BACKGROUND**

The San Pablo Local Successor Agency (“LSA”) is responsible for winding down the activities of the former Redevelopment Agency of the City of San Pablo (the “former Redevelopment Agency”) pursuant to the requirements of Part 1.85 of Division 24 of the California Health and Safety Code (Health and Safety Code Section 34170 *et seq.*; the “Dissolution Act”).

Section 34177(o) of the Dissolution Act requires the LSA to adopt an annual ROPS, which is then presented to the Countywide Oversight Board for approval. The ROPS functions as the LSA’s claim for tax increment funds and general authorization to pay enforceable obligations. The ROPS lists the outstanding obligations of the former Redevelopment Agency and the funding source for each obligation. The LSA is only authorized to pay obligations listed on the ROPS, and will only be allocated tax increment funds by the County Auditor-Controller for those listed obligations. Obligations that will be funded by other sources, such as existing fund balances, must also be listed on the ROPS.

The San Pablo LSA’s ROPS 21-22 is attached to the resolution accompanying this staff report. ROPS 21-22 was approved by the San Pablo LSA on December 21, 2020, by Resolution No. LSA2020-005.

## **Administrative Cost Allowance and Administrative Budget**

Pursuant to Section 34171(b), the LSA is to receive an administrative cost allowance (“ACA”) for the staff costs to administer the wind down of the former Redevelopment Agency. These costs include staff time in preparing for and attending Countywide Oversight Board meetings and staff costs related to preparing reports and documents required by the Dissolution Act. The ACA is the greater of \$250,000 or 3% of the property tax revenues allocated to the LSA in the preceding fiscal year to pay approved enforceable obligations (after first deducting from said allocated property tax revenues the amount of the LSA’s ACA for the preceding fiscal year and any loan repayments to the City during said preceding fiscal year).

Each ROPS is to include the amount of the ACA for the LSA. In addition, Section 34177(j) of the Dissolution Act requires the LSA to prepare an administrative budget for each six-month fiscal period, and to submit the budget to the Countywide Oversight Board for its approval. The budget shall include:

- Estimated amounts for LSA administrative costs;
- Proposed sources of payment for the LSA administrative costs; and
- Proposals for arrangements for administrative and operations services provided by a city or other entity.

The LSA's ACA for ROPS 21-22 will be \$250,000, which is the minimum amount. These funds will be the sole source of payment for the LSA's administrative costs. City staff serves as the staff for the LSA.

The proposed administrative budget for the San Pablo LSA is attached to the resolution for this item and covers all of Fiscal Year 2021-22. The budget also shows the estimated breakdown of the ACA for staff and consultant costs. The administrative budget was approved by the San Pablo LSA on December 21, 2020, by Resolution No. LSA2020-005.

#### City/LSA Loan and Repayment Agreements

Section 34173(h) of the Dissolution Act provides that the City of San Pablo (the "City") may loan funds to the LSA for administrative costs, enforceable obligations, or project-related expenses for which other funding is insufficient, subject to approval by the Countywide Oversight Board, and that an enforceable obligation shall be deemed to be created for the repayment of such loans. Interest on any such loan is to be charged at a rate not to exceed the most recently published interest rate earned on funds deposited into the Local Agency Investment Fund during the previous fiscal quarter.

In August 2012, the City and the LSA entered into a general Loan and Repayment Agreement, authorizing the City to loan funds to the LSA for any portion of the LSA's ACA that is not paid from the Redevelopment Property Tax Trust Fund ("RPTTF") and, to the extent funds are available, amounts necessary to pay any enforceable obligation that will not be funded by available RPTTF. That 2012 Loan and Repayment Agreement requires the estimated maximum amount of the loans to be listed on the ROPS for approval by the Countywide Oversight Board as part of its approval of the ROPS. Amounts totalling approximately \$1.996 million, loaned by the City, during Fiscal Years 2016-17 through 2019-20, are claimed for repayment on ROPS 21-22 (see Line Item 50 on ROPS 21-22). The LSA is currently working with the State Department of Finance ("DOF") to confirm the precise amounts of these loans in order that the approval of ROPS 21-22 by DOF will include its approval of repayment of these loaned funds.

Additionally, on November 5, 2020, the City and the LSA entered into a specific Loan and Repayment Agreement, authorizing the City to loan up to an additional \$2.1 million for enforceable obligations to be paid by the LSA during the 2020-21 fiscal year (see Line Item 51 on ROPS 21-22). The 2020 Loan and Repayment Agreement was approved by the Countywide Oversight Board on November 9, 2020, by Resolution No. 2020-32, and by DOF by letter dated December 9, 2020. The amount of \$2.1 million was loaned to the LSA on December 9, 2020.

## ROPS Approval Procedure

Following the Countywide Oversight Board's approval of a ROPS, the LSA must submit it to the County Auditor-Controller, the State Controller and the State Department of Finance ("DOF"), and post it on the LSA's website.

Section 34177(o) states that the LSA must submit a ROPS to DOF, after approval by the Countywide Oversight Board, no later than February 1, 2021.

DOF shall make its determinations regarding the enforceable obligations and the amounts and funding sources of the enforceable obligations no later than April 15, 2021. Section 34177(o) provides for a meet and confer period if the LSA disputes DOF's determinations.

Section 34177(o) also provides for significant penalties if a ROPS is submitted late. The City of San Pablo could be subject to a civil penalty of \$10,000 per day for each day a ROPS is not submitted to the DOF, and if a ROPS is not submitted within 10 days of the deadline, the maximum ACA of the LSA for the ROPS period could be reduced by 25%.

## **FISCAL IMPACT**

The approval of ROPS 21-22 by the Countywide Oversight Board is part of the procedure of adopting a valid ROPS for Fiscal Year 2021-22 pursuant to Section 34177(o), and obtaining the funds to make payments on obligations listed on that ROPS. The approval of the LSA's administrative budget provides the supporting detail for the LSA's claim for ACA on ROPS 21-22.

### **Attachments:**

Exhibit A      Oversight Board Resolution OB2021-\_\_\_\_, with Administrative Budget and ROPS 21-22 attached.