



DATE: JANUARY 24, 2022
TO: CONTRA COSTA COUNTYWIDE OVERSIGHT BOARD
FROM: SAN PABLO LOCAL SUCCESSOR AGENCY
SUBJECT: RESOLUTION OF THE CONTRA COSTA COUNTYWIDE OVERSIGHT BOARD APPROVING AN ADMINISTRATIVE BUDGET AND THE RECOGNIZED OBLIGATION PAYMENT SCHEDULE FOR FISCAL YEAR 2022-23 ("ROPS 22-23") FOR THE SAN PABLO LOCAL SUCCESSION AGENCY

RECOMMENDATION

Adopt resolution approving an Administrative Budget and the Recognized Obligation Payment Schedule ("ROPS") for the San Pablo Successor Agency for Fiscal Year 2022-2023.

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 each fiscal year, which is then presented to the Countywide Oversight Board. 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 22-23 is attached to the resolution accompanying this staff report.

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 should 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 22-23 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 2022-23. It shows the estimated breakdown of the ACA for staff and consultant costs.

City/LSA Loan and Repayment Agreement

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, subject to approval of the Countywide Oversight Board, and that an enforceable obligation shall be deemed to be created for the repayment of those loans. In August 2012, the City and LSA entered into a general Loan and Repayment Agreement ("Agreement") to provide a formal mechanism for loans by the City to the LSA and repayment by the LSA to the City.

Under the Agreement, the City agreed to loan funds to the LSA in any ROPS period up to the portion of the LSA's ACA that is not paid to the LSA from the Redevelopment Property Tax Trust Fund ("RPTTF"), with interest to be charged at the annual rate provided for the California State Treasurer's Local Agency Investment Fund ("LAIF") on the date of the respective loan. The City may also loan, to the extent that City funds are available, amounts necessary to pay any enforceable obligations listed on the ROPS that will not be funded from the RPTTF revenues available for that ROPS period.

It had been necessary for the City to advance funds to pay the Enforceable Obligations of the LSA over a number of fiscal years and thus the City and LSA entered into a more specific Loan and Repayment Agreement on November 5, 2020, pursuant to City Resolution No. 2020-138 and LSA Resolution LSA2020-004. This 2020 Loan and Repayment Agreement was approved by the County Oversight Board on November 9, 2020 pursuant to County Oversight Board resolution 2020-32.

On December 9, 2020, the LSA received a determination letter from the State Department of Finance (DOF) confirming this newly recognized loan of up to \$2.1 million for enforceable obligations and that amount was paid during the 2020-21 fiscal year as part of the ROPS first installment for fiscal year 2021-22.

As part of the ROPS 22-23, the LSA is continuing to pursue an additional claim for reimbursement to the City of approximately \$1.996 million for enforceable obligations that were paid using loaned City General Funds during FY2017 - FY2020.

ROPS Approval Procedure

Following the Countywide Oversight Board's approval of a ROPS, the LSA must submit the ROPS 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, 2022.

DOF shall make its determinations regarding the enforceable obligations and the amounts and funding sources of the enforceable obligations no later than April 15, 2022. Section 34177(o) provides for a meet and confer period if the LSA disputes the 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 22-23 by the Countywide Oversight Board is part of the procedure of adopting a valid ROPS for Fiscal Year 2022-23 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 funding for ROPS 22-23

