

## REPORT TO THE SUCCESSOR AGENCY OVERSIGHT BOARD

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**DATE:** July 13, 2016

**TITLE:** Department of Finance Approval of Recognized Obligation Payment Schedule (ROPS) 16-17

**Prepared By:** Linda Kelly, Program and Financial Specialist

**Reviewed By:** Robert Lee, Deputy City Attorney

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### RECOMMENDATION

Receive and file approval by Department of Finance of Recognized Obligation Payment Schedule (ROPS) 16-17 covering the reporting period of July 1, 2016 through June 30, 2017.

### BACKGROUND

Health and Safety Code Section 34180 requires that the Successor Agency ("Successor Agency") to the Redevelopment Agency of the City of Desert Hot Springs ("Former RDA") approve a Recognized Obligation Payment Schedule ("ROPS") every six (6) months following the dissolution of the Former RDA. The ROPS outlines enforceable obligations to be paid from former tax increment funds, interest income, and redevelopment trust funds. Once a ROPS is approved by the Successor Agency, the Successor Agency's Oversight Board ("Oversight Board") and the Department of Finance ("DOF"), the Successor Agency is authorized to make payments authorized by each ROPS and continue to wind down the affairs of the Former RDA. The Riverside County Auditor-Controller will allocate property tax increment to the Successor Agency to pay the obligations listed on the ROPS. Obligations not paid from tax increment will be paid from funds held in trust, debt service reserve funds, interest income and rental income. The Successor Agency, Oversight Board, and the DOF have already approved the ROPS covering the following periods:

- January 1, 2012 through June 30, 2012
- July 1, 2012 through December 31, 2012
- January 1, 2013 through June 30, 2013
- July 1, 2013 through December 31, 2013
- January 1, 2014 through June 30, 2014
- July 1, 2014 through December 31, 2014
- January 1, 2015 through June 30, 2015
- July 1, 2015 through December 31, 2015
- January 1, 2016 through June 30, 2016

Now, each ROPS must be submitted to and approved by DOF on an annual basis. On January 27, 2016, the Successor Agency staff forwarded the ROPS for the period of July 1, 2016 through June 30, 2017 ("ROPS 16-17") and other supporting documents to DOF, Auditor Controller's Office and the State Controller's Office, via-email, and received written confirmation from DOF that the report had been received.

### DISCUSSION

Through a letter dated March 31, 2016, the DOF approved portions of the items listed on the ROPS 16-17 as prepared by staff.

***In addition, the DOF noted that based on a sample of line items reviewed and application of the law, DOF made certain determinations:***

Item (2) Series 2008 A-1 Tax Allocation Bond – bond payment was listed in equal dollar amounts for both ROPS 16-17 A & B and based on DOF's review, DOF moved a portion of the amount requested to the reserve balance. The same occurred for item (4) 2006 Tax Allocation Bond and for item (6) the 2009 Tax Allocation Bond. The primary reason is that the funding that was approved in ROPS 15-16B has not been expended by the Agency and they want to be able to track the funding.

Item (20) and Item (32) represent prior period ROPS shortfalls in RPTTF that were approved by DOF under ROPS 13-14 A totaling \$341,365 and under ROPS 14-15 B totaling \$347,693 that were listed for both period A and B of the Detail ROPS 16-17 reporting form. Staff has been denied funding in earlier ROPS periods due to the fact that the short fall dollar amounts were not listed on that particular detail ROPS page. Based on that one denial staff felt that it was necessary to list the dollar amounts in both columns even though the total dollar amounts that were listed were doubled with the understanding that the DOF would only approve payment for the total short fall one time. DOF approved the shortfall as listed in part A of the report and denied the duplicate dollar amount in part B of the detail ROPS 16-17 report.

Item (36) implementation costs requested in the amount of \$100,000 related to property disposition was not approved. DOF denied the total dollar funding limiting the expenses for ROPS 16-17 A to a total of \$25,000. In their opinion costs of properties that were approved in the LRPMP for future development should be transferred to the City and the costs for those transfers should be paid by the City.

Item (37) ROPS 15-16 B shortfall in the amount of \$109,791 was listed for the same dollar amount in ROPS 16-17 part A and part B. DOF denied it as a duplicate funding authorization and approved the shortfall of \$109,791 under ROPS 16-17 part A and denied it under part B.

Based on these items as stated above, the Successor Agency requested, and on April 12, 2016, engaged in, a Meet and Confer with DOF to discuss further its findings as stated in the letter dated March 31, 2016 (see attached copy of the Meet and Confer documents dated April 9, 2016). Joe Tanner, Administrative Services Director and Linda Kelly, Program and Financial Specialist, participated in the Meet and Confer with DOF.

Subsequent to the Meet and Confer, DOF issued a second letter dated May 17, 2016, which modified and superseded its March 31, 2016 letter. Through its May 17, 2016 letter, DOF approved items (2), (4), (6) and (36) based on the additional information that was provided in the Meet and Confer documentation at the higher level of review.

With regard to items (20) and (32) and (37) which are the shortfalls for prior period ROPS, the DOF removed the duplicate dollar amount that was listed under these items in part B of the ROPS 16-17 form. However, DOF also stated that such removal does not limit the Successor Agency's ability to receive these funds specific to the A period. DOF's determination is for the entire ROPS 16-17 period; the County Auditor-Controller is authorized to distribute and the Successor Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions. This is still a "win" for the Successor Agency since the DOF has stated its intent in writing which means that should there be an issue with the County Auditor Controller the Successor Agency will have recourse.

The RPTTF dollar amount of \$5,394,519 that was approved will cover all of the payments as requested by the Successor Agency staff. The only items that were reduced were the duplicate shortfalls for three prior ROPS periods.

At this time staff is requesting that you receive and file the approval of ROPS 16-17 as determined by DOF in its second letter dated May 17, 2016.

**FISCAL IMPACT:** None

**EXHIBIT(S)**

1. Department of Finance letter dated March 31, 2016 approving the Recognized Obligation Payment Schedule for ROPS 16-17.
2. Meet and Confer Request Form dated April 9, 2016
3. Department of Finance letter dated May 17, 2016, approving the Recognized Obligation Payment Schedule for ROPS 16-17 based on the additional information as received during the Meet and Confer Session.