

REPORT TO THE SUCCESSOR AGENCY OVERSIGHT BOARD



DATE: January 11, 2017

TITLE: Recognized Obligation Payment Schedule (ROPS 17-18) for the Period of July 1, 2017 - June 30, 2018.

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RECOMMENDATION

Adopt a Resolution of the Successor Agency Oversight Board approving the Recognized Obligation Payment Schedule (ROPS 17-18) and administrative budget for the Successor Agency for the period of July 1, 2017 through June 30, 2018.

DISCUSSION

Health & Safety Code Section 34180 requires that the oversight board ("Oversight Board") to the successor agency ("Successor Agency") of the Redevelopment Agency of the City of Desert Hot Springs ("Former RDA") approve a Recognized Obligation Payment Schedule ("ROPS") every six months following the dissolution of the Former RDA.

The ROPS outlines enforceable obligations to be paid from former tax increment funds, bond proceeds, and redevelopment trust funds. Once approved by the Oversight Board, the ROPS serves as a permanent schedule of obligations authorized to be paid to 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, grant funds, interest income and Low and Moderate Housing unobligated cash approved in prior ROPS periods and through the Housing Due Diligence Review Report.

The Oversight Board has previously approved the following ROPS:

ROPS	Covering Period
First ROPS	January 1, 2012 through June 30, 2012
Second ROPS	July 1, 2012 through December 31, 2012
Third ROPS	January 1, 2013 through June 30, 2013
Fourth ROPS	July 1, 2013 through December 31, 2013
Fifth ROPS	January 1, 2014 through June 30, 2014
Sixth ROPS	July 1, 2014 through December 31, 2014
Seventh ROPS	January 1, 2015 through June 30, 2015
Eighth ROPS	July 1, 2015 through December 31, 2015
Ninth ROPS	January 1, 2016 through June 30, 2016
Tenth ROPS	July 1, 2016 through June 30, 2017

Now each ROPS will be submitted to and approved by the Department of Finance on an annual basis. By no later than February 1, 2017, and pursuant to Health & Safety Code Section 34177(l), the Eleventh ROPS covering the periods of July 1, 2017 through June 30, 2018 ("ROPS 17-18) must be submitted using the application form provided by the Department of Finance as no other means of submission will be accepted. As was done for all previous ROPS, ROPS 17-18 and the Successor Agency Resolution approving ROPS 17-18 will be emailed to the County-Auditor Controller and the State Controller's Office.

The Successor Agency staff has completed its preparation of ROPS 17-18. This ROPS contains the actual and/or estimated payments that will be due and payable for the prescribed time periods. Expenditures are listed according to the funding source that will be used to make the payments. The funding sources include: rental income, grant loan re-payments, interest, administrative allowance, and property tax increment ("RPTTF").

Similar to the First ROPS, Second ROPS, Third ROPS, Fourth ROPS, Fifth ROPS, Sixth ROPS, Seventh ROPS, and the Eighth ROPS, Ninth ROPS, Tenth ROPS, ROPS 17-18 includes the administrative budget for the applicable 6-month period. Pursuant to Health & Safety Code Section 34171(b), the Successor Agency is permitted to claim up to 3% of the property tax allocated to the Redevelopment Obligation Retirement Fund or \$250,000.00, whichever is greater. The total amount of the administrative budget for the period July 1, 2017 through June 30, 2018 is \$250,000.00. This budget includes expenses related to legal services, staff and consultants.

Staff has highlighted key obligations listed on ROPS 17-18, which may be of note to the Successor Agency (these items are included in the notes section of ROPS 17-18):

Prior to September 2014 a portion of the debt service payment was coming from an escrow account. Due to the recessionary impacts to the economy and the housing market specifically, tax increment received from property taxes began declining in 2008. Because of this, staff worked with the bond trustee to establish an "escrow fund" for the purpose of providing for a portion of the debt service payments for the fiscal year 2010 through 2014. The escrow fund was depleted with the September 1, 2014 debt service payment, and all subsequent funding for this bond payment is to come from RPTTF until the Long Range Property Management Plan is approved by the Department of Finance, which occurred May 5, 2015.

The estimated expenditures for the ROPS 17-18 were projected out for the entire fiscal year based on the new revised ROPS format by the Department of Finance. As on the prior ROPS 16-17 and on this first portion of the one year ROPS format there is no "true up" portion for a prior period, only estimated expenses for the ROPS year July 1, 2017 through June 30, 2018. The Administrative expenses budgeted are consistent with the provisions in HSC Section 34171 (b) and is thus considered fair and reasonable for ROPS 17-18.

Pursuant to Health and Safety Code section 34177 (m), the successor agency shall complete the Recognized Obligation Payment Schedule (ROPS) in the manner provided for by Finance. Successor agencies were previously allowed to download the Excel ROPS workbook from the Redevelopment Agency Dissolution Web Application (RAD APP) either in Excel 2007-2013 format (XLSX) for Excel 1997-2004 (XLS). Beginning January 1, 2016, the RAD APP will only accept the XLSX format.

Annual bond trustee fees, property tax audits, service reports and disclosure reports are requirements of each bond indenture and will be on-going for the life of each bond issue.

Once ROPS 17-18 is approved by the Successor Agency and the Successor Agency Oversight Board, it will simultaneously be submitted to the State Controller's Office, Auditor Controller's

Office and to the Department of Finance. The Oversight Board must approve and submit the approved ROPS 17-18 by February 1, 2017, or penalties will be imposed on the Successor Agency and/or the City of Desert Hot Springs ("City"). The City, as the sponsoring jurisdiction of the Former RDA, is subject to a penalty in the amount of \$10,000 per day if any ROPS is not timely submitted. In addition, the Successor Agency's administrative cost allowance may be reduced by 25% if the ROPS is more than ten (10) days late.

The Auditor-Controller and the Department of Finance will complete their review of the report by April 15, 2017 and will advise all successor agencies of the estimated amounts of property tax increment that will be remitted to each agency on June 1, 2017 and January 2, 2018. If the Successor Agency disputes the determination made by the Department of Finance on ROPS 17-18, the Successor Agency has five (5) business days following the Department of Finance's determination to request a meet and confer to discuss the disputed ROPS 17-18 items. Assembly Bill 1484 includes procedures for conducting the meet and confer process which will be followed by staff as needed.

Due to the timing constraints, the report was presented to the Successor Agency Oversight Board first at their regularly scheduled meeting on January 11, 2017 as required by the Department of Finance. The report will also be presented to the Successor Agency at their regularly scheduled meeting on January 17, 2017.

FISCAL IMPACT

Funding sources for the expenditures listed in ROPS 17-18 will be paid from the Former RDA property tax increment, Successor Agency administrative allowance, rental income, interest earnings, debt reserve accounts, and any loan or grant re-payments, as needed. The total amount of obligations scheduled to be paid during the period July 1, 2017 to June 30, 2018 is \$5,246,650.00. A total of \$4,187,396.00 of such obligations is for debt service principal and interest payments and trustee fees; RPTT shortfall due to the Successor Agency; prior ROPS 14-15 B totaling \$345,463.00; shortfall prior ROPS 15-16 B totaling \$109,791.00 prior ROPS 16-17 A totaling \$125,000.00; implementation costs associated with the LRPMP \$25,000.00; property maintenance funding of \$204,000.00 and an amount of \$250,000.00 for RPTTF administrative fees.

EXHIBIT(S)

- 1) Recognized Obligation Payment Schedule – July 1, 2017 through June 30, 2018.
- 2) Resolution of the Oversight Board of the Successor Agency approving the Recognized Obligation Payment Schedule – July 1, 2017 through June 30, 2018.