

REPORT TO THE SUCCESSOR AGENCY



DATE: December 12, 2018

TITLE: (Successor Agency) Recognized Obligation Payment Schedule (ROPS 19-20) for the Period July 1, 2019 Through June 30, 2020

Prepared by: Linda Kelly, Finance Director

Reviewed by: Robert Lee, Deputy City Attorney

RECOMMENDATION

Adopt a Resolution of the Successor Agency approving the Recognized Obligation Payment Schedule (ROPS 19-20) and administrative budget for the Successor Agency for the period July 1, 2019 through June 30, 2020.

DISCUSSION

Health & Safety Code Section 34177 previously required 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 for several years following 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 a ROPS was approved by the Successor Agency Board, the former Successor Agency's oversight board ("Local Oversight Board") and the Department of Finance ("DOF"), the ROPS served as a permanent schedule of obligations authorized to be paid for the continued wind down of the affairs of the Former RDA.

The Riverside County Auditor-Controller has allocated and will continue to 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 Successor Agency Board, Local Oversight Board and DOF have 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
Eleventh ROPS	July 1, 2017 through June 30, 2018
Twelfth ROPS	July 1, 2018 through June 30, 2019

Commencing with the Tenth ROPS, each ROPS was required to be submitted to and approved by the DOF on an annual basis. By no later than February 1, 2019, and pursuant to Health & Safety Code Section 34177(l), the Thirteenth ROPS covering the period July 1, 2019 through June 30, 2020 ("ROPS 19-20") must be submitted using the application form provided by the DOF as no other means of submission will be accepted.

Additionally, pursuant to Health & Safety Code Section 34179(j), the Local Oversight Board dissolved, and as of July 1, 2018, a single county-wide (Riverside County) oversight board ("Oversight Board") was established which has now assumed the responsibilities of overseeing the wind down activities of all former redevelopment agencies within Riverside County. As was done for all previous ROPS, ROPS 19-20 and the Oversight Board Resolution approving ROPS 19-20 will be emailed to the County-Auditor Controller and the State Controller's Office.

The Successor Agency staff has completed its preparation of ROPS 19-20. This ROPS contains the actual and/or estimated payments that will be due and payable for the prescribed time period. 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 all previously approved ROPS, ROPS 19-20 includes the administrative budget for the applicable 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, 2019, through June 30, 2020, is \$250,000.00. This budget includes expenses related to legal services, staff and consultants.

Staff has highlighted key obligations listed on ROPS 19-20, which may be of note to the Successor Agency Board (some of these items are included in the notes section of ROPS 19-20):

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 was approved by the Department of Finance, which occurred May 5, 2015.

The estimated expenditures for the ROPS 19-20 were projected out for the entire fiscal year based on the revised ROPS format provided by the Department of Finance. 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, 2019 through June 30, 2020. The administrative expenses budgeted are consistent with the provisions in Health & Safety Code Section 34171 (b) and is thus considered fair and reasonable for ROPS 19-20.

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.

In June 2017, the Successor Agency refinanced and refunded the Former RDA's 2008A-2 Series Bond, 2006 Series Bond and 2009 Series Bond in favor of its 2017 Subordinate Tax Allocation Refunding Bond, to take advantage of an opportunity to pay reduced interest rates on its debt service.

Finally, the Successor Agency must now make SERAF payments to the Desert Hot Springs Housing Authority from its Low and Moderate-Income Housing Fund in repayment of a loan given to the Former RDA.

Once ROPS 19-20 is approved by the Oversight Board and the Successor Agency Board, it will simultaneously be submitted to the State Controller's Office, Auditor Controller's Office and to the DOF. The Oversight Board must approve and submit the approved ROPS 19-20 by February 1, 2019, 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.

It is anticipated that the Successor Agency Board-approved ROPS 19-20 will be presented to the Oversight Board at its regularly scheduled meeting on January 17, 2019.

The Auditor-Controller and the DOF will complete their review of ROPS 19-20 by April 15, 2019 and will advise all successor agencies of the estimated amounts of property tax increment that will be remitted to each agency in accordance with the laws that dissolved redevelopment agencies. If the Successor Agency disputes the determination made by the DOF on ROPS 19-20, the Successor Agency is afforded five (5) business days following the DOF's determination to request a meet and confer to discuss the disputed ROPS 19-20 items. Assembly Bill 1484 includes procedures for conducting the meet and confer process which will be followed by staff as needed.

FISCAL IMPACT

Funding sources for the expenditures listed in ROPS 19-20 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, 2019, to June 30, 2020, is \$4,511,074.00. A total of \$3,559,138.00 of such obligations is for debt service principal and interest payments; re-payment for the SERAF payment to the housing fund of \$513,936.00; trustee fees of \$8,000.00; implementation costs associated with the LRPMP totaling \$30,000.00; property maintenance funding of \$150,000.00 and an amount of \$250,000.00 for RPTTF administrative fees.

EXHIBITS

- 1) ROPS Including Related Administrative Budget – July 1, 2019, through June 30, 2020
- 2) Successor Agency Resolution Approving the ROPS Including Related Administrative Budget – July 1, 2019, through June 30, 2020
- 3) Expenditure Report for the Period of July 1, 2016 through June 30, 2017.