

REPORT TO THE SUCCESSOR AGENCY



DATE: December 3, 2019

TITLE: (Successor Agency) Recognized Obligation Payment Schedule (ROPS 20-21) for the Period of July 1, 2020 Through June 30, 2020

Prepared by: Geoffrey Buchheim, Finance Director

RECOMMENDATION

Adopt a Resolution of the Successor Agency approving the Recognized Obligation Payment Schedule (ROPS 20-21) and Administrative Budget for the Successor Agency for the period of July 1, 2020 through June 30, 2021.

DISCUSSION:

Health & Safety Code Section 34177 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") on an annual basis following the dissolution of the Former RDA.

The ROPS outlines enforceable obligations to be paid from the former tax increment funds, bond proceeds, and redevelopment trust funds. Once a ROPS is approved by the Successor Agency Board, the county-wide Oversight Board, and the Department of Finance ("DOF"), the ROPS serves as a permanent schedule of the 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 staff has completed its preparation of ROPS 20-21. This ROPS contains the actual and/or estimated payments that will be due and payable for the prescribed time period. Expenditures are listing according to the funding source that will be used to make the payments. The funding sources include: rental income, grant loan repayments, interest, administrative allowance, and property tax increment ("RPTTF").

Similar to all previously approved ROPS, the ROPS 20-21 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, whichever is greater. The total amount of the administrative budget for the period July 1, 2020 through June 30, 2021, is \$250,000. This budget includes expenses related to legal services, staff and consultants.

Since the first ROPS in 2012, the Successor Agency has been able to repay the enforceable obligations so that only six are remaining on the ROPS 20-21. The remaining six obligations are for debt service, repayment of the SERAF loan and administrative costs. Staff has highlighted key obligations listed on ROPS 20-21, which may be of note to the Successor Agency Board (some of these items are included in the notes section of ROPS 20-21):

In June 2017, the Successor Agency refinanced and refunded the former RDA's 2008A-2 Series Bond, 2006 Series Bond, and the 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. 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.

The Successor Agency will continue to make SERAF payments to the Desert Hot Springs Housing Authority to its Low and Moderate-Income Housing Fund in repayment of the loan given to the former RDA.

Once ROPS 20-21 is approved by the Successor Agency Board and the Oversight Board, it will be submitted to the State Controller's Office, the County Auditor-Controller's Office and the DOF. The Oversight Board must approve and submit the approved ROPS 20-21 by February 1, 2020, 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 20-21 will be presented to the Oversight Board at its regularly scheduled meeting on January 16, 2020.

The Auditor-Controller and the DOF will complete their review of the ROPS 20-21 by April 15, 2020 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 20-21, 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 20-21 items. Assembly Bill 1484 included 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 20-21 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, 2020 to June 30, 2021 is \$4,679,648. A total of \$3,695,012 of such obligations is for debt service principal and interest payments; repayment for the SERAF payment to the Housing Authority Fund of \$726,636; trustee fees of \$8,000; and an amount of \$250,000 for the RPTTP administrative fees.

EXHIBIT(S)

- 1) Successor Agency Resolution Approving the ROPS – July 1, 2020 through June 30, 2021
- 2) ROPS 20-21
- 3) Expenditure Report for the Period of July 1, 2017 through June 30, 2018