MEMORANDUM

TO: Oversight Board Members

FROM: Tiffany Bohee, Executive Director

SUBJECT: Informational presentation of the Recognized Obligation Payment Schedule for January 1, 2014 to June 30, 2014 (ROPS 13-14B)

EXECUTIVE SUMMARY

Chapter 3 of Part 1.85 of ABx1 26 ("AB 26") describes the responsibilities required of successor agencies to dissolved Redevelopment Agencies, and the first requirement per section 34177(a)(1) is to “continue to make payments due for enforceable obligations.” AB 26 requires the creation of a Recognized Obligation Payment Schedule ("ROPS") to set forth the minimum payment amounts and due dates of payments required by those enforceable obligations for each six-month fiscal period. AB 1484 modified the requirements for preparing and submitting the ROPS by creating specific timeframes and procedures for submittal and imposing penalties for late submittals. To date the Successor Agency has submitted four ROPS to the Oversight Board and to the California Department of Finance ("DOF"), the last being known as “ROPS 13-14A” which covers the current period of July 1st through December 31st 2013, the first half of fiscal year 2013-2014.

After each ROPS submission, DOF has refined the requirements and instructions to Successor Agencies on how to prepare the ROPS, including the name of the ROPS. For this next ROPS, covering the period of January to June 2014, DOF has continued with the previous ROPS naming convention that references the relevant half of the fiscal year of the given ROPS period. Therefore the next ROPS will be known as “ROPS 13-14B” to signify it is the second ROPS for Fiscal Year 2013-2014. ROPS 13-14B must be approved by the Oversight Board and submitted to DOF, State Controller’s Office, and City Controller no later than October 1, 2013. Staff is providing informational workshops on the draft ROPS 13-14B to the Commission on September 3, 2013 and to the Oversight Board on September 9, 2013. The Oversight Board is scheduled to take action on ROPS 13-14B at the following regularly scheduled meeting on September 23, 2013.

DISCUSSION

Definition of Enforceable Obligations
The ROPS sets forth the payments required to be made under “enforceable obligations.” The Dissolution Law (AB 26 & AB 1484, together, or “the Law”) defines "enforceable obligations" to include bonds, loans, judgments or settlements, any "legally binding and enforceable agreement or contract that is not otherwise void as violating the debt limit or
public policy," contracts or agreements necessary for the administration or operation of the Successor Agency, and certain "amounts borrowed from or payments owing to the Low and Moderate Income Housing Fund of a redevelopment agency," as well as certain other obligations.

The Dissolution Law requires that successor agencies complete approved development projects that are subject to enforceable obligations by mandating that successor agencies perform those obligations and continue to oversee development until the contracted work has been completed or the contractual obligations can be transferred to other parties. Importantly, the Law expressly requires that pledges of increment associated with enforceable obligations of former redevelopment agencies be honored. The Law also provides for successor agencies to make new pledges of property tax revenues (former tax increment) under pre-existing agreements comprising enforceable obligations, subject to approval of their oversight boards and review by the State Controller and DOF.

**ROPS Background**

At its meeting on August 26, 2011, the Commission of the former Redevelopment Agency adopted the first Enforceable Obligation Payment Schedule ("EOPS"). The EOPS showed the obligations of the Agency requiring payments for the months of September through December 2011. The Agency Commission approved six amendments to that original EOPS, with the last amendment occurring on January 31, 2012, which extended the payment period through June 30, 2012. The 6<sup>th</sup> Amended EOPS therefore became the basis for the Initial ROPS, which focused only on the period of January through June 2012. The Initial ROPS was approved by the Oversight Board and submitted to DOF on April 10, 2012. ROPS II was required to be submitted very soon after the Initial ROPS, and it was approved by the Oversight Board and submitted to the State only one month later, on May 7, 2012. Both the Initial ROPS and ROPS II were approved by DOF.

ROPS III was the first ROPS approved after the passage of AB 1484, and followed the now standard deadlines of approving a January-June ROPS by the preceding October 1<sup>st</sup>. DOF changed the format of the ROPS report significantly with ROPS III. For the first time DOF provided a standard template which required breaking out each payment by specific funding type. In addition, for the first time DOF required a "Prior Period Payments" report as part of the ROPS III submission which reported the actual payment for each ROPS item as compared to the original ROPS estimate for the Initial ROPS period.

DOF provided a new template for ROPS 13-14A, which was approved by the Oversight Board and submitted to DOF on February 25<sup>th</sup> in order to meet the March 1<sup>st</sup> deadline for July-December ROPS. Unlike the ROPS III template, which was an excel spreadsheet that allowed the Successor Agency to provide additional columns of information or sort the data by project area or type of obligation, the ROPS 13-14A template was "locked" by DOF and did not allow any changes with the exception of updating the payment amounts and a few other fields. That new template instituted the practice of adding any new items to the end of the ROPS schedule, which means that those new items cannot be grouped with like obligations. DOF challenged a number of items in ROPS 13-14A and OCII staff pursued the Meet & Confer process, which resulted in DOF’s final ROPS 13-14A approval
letter on May 17, 2013. A copy of that letter is provided again to the Oversight Board for reference as Attachment A.

**ROPs 13-14B Template**

DOF has provided yet another new template for ROPS 13-14B. DOF is now using a web-based application it has named the Redevelopment Agency Dissolution Application, or the "RAD App". This RAD App provides a new template for OCI to download, update with data, and then upload back to DOF’s website. A benefit to this new application is that the ROPS template is now back to being an “unlocked” Excel spreadsheet that allows for easier data entry.

There are still five separate worksheets included in the new ROPS template, however DOF has made formatting changes, requiring new data fields on the main ROPS worksheet, as well as one new report. The new format of the ROPS is as follows:

<table>
<thead>
<tr>
<th>ROPS Worksheet Name</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Summary</td>
<td>Similar to ROPS 13-14A; provides overall totals from each worksheet</td>
</tr>
<tr>
<td>Report of Fund Balances</td>
<td>A new report, requiring fund balances by fund source for ROPS III and an estimate of Income and Expenditures for ROPS 13-14A</td>
</tr>
<tr>
<td>ROPS Detail</td>
<td>The main ROPS worksheet; substantially similar to ROPS 13-14A; includes new “Obligation Type” field requiring a choice from 25 approved types; and a “Retired” field to allow items to be retired out of usage</td>
</tr>
<tr>
<td>Report of Prior Period Adjustments</td>
<td>A modification to the previous templates’ Prior Period Payment Report; this version includes additional “calculated” fields to show variances by funding source;</td>
</tr>
<tr>
<td>Notes</td>
<td>Similar to ROPS 13-14A, Notes for each item is on a separate tab.</td>
</tr>
</tbody>
</table>

Attached to this memorandum is a draft version of the ROPS Detail and Notes worksheets as Attachments B and C respectively. Staff is still compiling the data for the Report of Fund Balances and Report of Prior Period Adjustments, which in turn affects the Summary page. Since this ROPS represents the second half of a fiscal year, the majority of the items have just been carried forward from ROPS 13-14A consistent with the approved Fiscal Year 2013-2014 budget.

As mentioned above, there are two new columns in this new template. The Obligation Type column requires a selection from a list of 25 different types. The majority of these types don’t apply to OCI’s obligations, and in some cases there were not any close matches on DOF’s list and so “Miscellaneous” was selected. Since this is a new field, staff is still reviewing this column and will continue to refine it to ensure the appropriate Obligation Type is selected. The list of Obligation Types is provided for your reference as Attachment D. The second new column is the “Retired” column. Previously there was no way to indicate if an item was no longer needed. In OCI’s previous ROPS staff simply noted that the item was “Proposed for deletion”. DOF has now created the “Retired”
column which accepts either a “Y” for yes or “N” for no. Therefore any items that are now completed and no longer needed are considered “Retired” and are shown with a “Y”.

NEXT STEPS

ROPS 13-14B must be approved by the Oversight Board and submitted to the State and City Controller (“Controller”) no fewer than 90 days before the date of the next property tax distribution, which in this case is October 1, 2013. The Oversight Board is scheduled to take action on the item at its regular meeting on September 23rd and staff will then transmit the ROPS to the State and Controller immediately thereafter. DOF will make its determination of the enforceable obligations, and the amounts and funding sources of the enforceable obligations, within 45 days of submission.

Should OCII wish to dispute any of DOF’s determinations on ROPS 13-14B, then OCII may request an opportunity to meet and confer with DOF. The meet and confer request must be made within five business days of DOF’s determination, and DOF will notify OCII and the City Controller as to the outcome of that review at least 15 days before the date of the next property tax distribution, which is set for January 2, 2014. Staff will provide ongoing updates to the Oversight Board as we receive feedback from DOF on this ROPS.

(Originated by Sally Oerth, Deputy Director)

Tiffany Bihnee
Executive Director

Attachment A: ROPS 13-14A Final Determination Letter
Attachment B: Draft ROPS 13-14B – ROPS Worksheet
Attachment C: Draft ROPS 13-14B – Notes
Attachment D: DOF List of Obligation Types