MEMORANDUM

TO: Oversight Board Members

FROM: Tiffany Bohee, Executive Director

SUBJECT: Approval of the Recognized Obligation Payment Schedule for January 1, 2014 to June 30, 2014 (ROPS 13-14B), including the Administrative Budget for the Successor Agency, and supporting documentation

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 has provided informational workshops on the draft ROPS 13-14B to the Commission on September 3, 2013 and to the Oversight Board on September 9, 2013.

Since the workshop on September 9th, staff has continued to refine the information on the ROPS Detail and Notes worksheets, including adding a few new obligations as discussed below. Staff has also completed the three other worksheets that comprise the entire ROPS 13-14B package, specifically the Summary, Fund Balance, and Prior Period Adjustment reports. All five worksheets are attached to the Oversight Board Resolution for your review and approval.

Staff recommends approval of ROPS 13-14B.
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 13-14B Template
DOF has provided a 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 OCII 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 &quot;Obligation Type&quot; field requiring a choice from 25 approved types; and a &quot;Retired&quot; field to allow items to be retired out of usage</td>
</tr>
<tr>
<td>Report of Prior Period Payments Adjustments</td>
<td>A modification to the previous templates’ Prior Period Payment Report; this version includes additional</td>
</tr>
</tbody>
</table>
"calculated" fields to show variances by funding source:

<table>
<thead>
<tr>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Similar to ROPS 13-14A, Notes for each item is on a separate tab.</td>
</tr>
</tbody>
</table>

**ROPS 13-14B Content**

Below is a summary of the content of each of the first four ROPS worksheets (a summary of the Notes worksheet is not included as that is self-explanatory). Any new items that were added to the ROPS Detail worksheet since the September 9th workshop are also described.

**Summary:**
Rows A through H on the Summary worksheet display the totals by funding type from the ROPS Detail sheet, totaling almost $297 million in payments, of which $2.6 million is Administrative RPTTF and $85.7 million is non-Administrative RPTTF. Rows I through K display any adjustments based on the savings from prior period RPTTF (i.e. ROPS III, or January – June 2013); there are no RPTTF savings from ROPS III, so there is no adjustment.

**Fund Balances:**
This report calculates the funds remaining (by funding source type) at the end of ROPS III (or June 30, 2013), then deducts the projected expenditures that will occur during ROPS 13-14A (July-December 2013). DOF is looking to see if we are projecting to have any fund balances at the end of ROPS 13-14A that could be used instead of requesting new RPTTF in ROPS 13-14B. The Fund Balance report shows that all the non-RPTTF balances retained by OCII are restricted to enforceable obligations. These funds are applied to ROPS 13-14B payments wherever possible, however there is still a need to request RPTTF in the 13-14B period.

**ROPS Detail:**
This is substantially similar to the worksheet that was provided in the September 9th workshop. Staff has continued to refine the data, adjusting payment amounts, entering in missing contract dates, and making other corrections. There are two new items that have been added to request the use of excess bond proceeds remaining from tax-exempt bonds issued in 2009 for the Bayview Hunters Point project area (Series 2009 B and F). Dissolution Law (Section 34191.4(c)(2)(A)) allows successor agencies to expend any excess bond proceeds as long as the following three requirements are met: first, that the successor agency has received a Finding of Completion; second, that the expenditure is consistent with the original bond covenants; and third, that the expenditure is listed separately on the ROPS for the Oversight Board to approve these items.

There are currently $1.67 million in excess tax-exempt bond proceeds from the 2009 issuance for Bayview Hunters Point (BVHP). The City has requested that OCII provide a total of $1,235,000 for two BVHP projects. The first is for a letter agreement with the Mayor’s Office of Housing and Community Development (MOHCD) to provide $450,000 for streetscape improvements through the Model Block program in the portion of the
BVHP neighborhood included in the Choice Neighborhood Initiatives Grant from HUD. The second use of the BVHP excess proceeds would be to reinstate the funding for the renovation of the Bayview Opera House via a grant agreement with the Metropolitan Transit Agency (MTA) for a total of $785,000. This grant agreement was originally on ROPS 13-14A but was invalidated by DOF because it was an agreement between the Successor Agency and the City. DOF instructed OCII that these funds could be provided again pursuant to Section 34191.4(c)(2)(A) once the Finding of Completion was awarded.

OCII received its Finding of Completion on May 29, 2013, and is therefore eligible to seek Oversight Board approval to expend these excess bond proceeds. Both of these items are consistent with the original bond covenants. Both would also require agreements with the City, and Section 34180(h) provides the Oversight Board with the ability to approve agreements between the Successor Agency and the City. The ROPS 13-14B Resolution therefore includes language approving the use of these excess bond proceeds through agreements with the City as described above.

Prior Period Adjustments:
The Prior Period Adjustments report displays all ROPS III items and lists the amounts authorized through the ROPS by funding source next to the actual amounts expended. In certain cases a different funding source was used to make the expenditure than what was listed on the ROPS. In some cases this was because DOF’s final determination related to ROPS III and 13-14A reduced our RPTTF and ACA request and therefore we used Bond Proceeds or Other funds to cover those costs. Additionally there were instances where we were able to use Other funds in place of RPTTF thereby creating a savings of RPTTF.

ADMINISTRATIVE BUDGET

The lines related to the administrative costs of the Successor Agency represent the payments needed to cover staffing costs, the ongoing administrative expenses needed to operate the required office space, provide supplies, and other related expenses. On ROPS 13-14B they are Item #’s 1, 4 & 5. Note that in ROPS 13-14A the staffing costs had been distributed between Item #’s 1, 2, 3 only to have a different line for each funding source type, and in this ROPS we’ve now consolidated it into one line which makes the total amount needed for staffing (both OCII and contracted staffing costs from other City departments) clearer. Some of these costs may be covered by the Administrative Cost Allowance (“ACA”, but shown on ROPS 13-14B as “RPTTF-Admin”), which is defined in the Law as 3% of the amount of tax increment that is allocated to the Successor Agency to cover the approved Enforceable Obligations. For this ROPS period the maximum amount of ACA that could be requested is approximately $2.6 million. The ACA covers staffing (the indirect staffing costs not directly billable to a project or a developer) as well as operating expenses for the Agency. Staffing costs are also eligible to be covered by RPTTF for direct project work if there are no other funds available. In many cases there are other funds available, mostly in the form of developer reimbursements. Developer reimbursements are also available to cover their proportionate share of the Agency’s non-staffing operating expenses. The total amount of staffing cost included in this ROPS is projected to be approximately $5.9 million. Items #9 & 10 represent expenditures related
OCII’s ongoing medical insurance payments for retired employees, for a total of $850,000. Payments associated with non-personnel operating expenses are included on Item #4, for a total of $530,000.

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 Bohee
Executive Director