

ITEM 4

**OVERSIGHT BOARD FOR THE CITY OF SAN DIEGO
REDEVELOPMENT SUCCESSOR AGENCY**

DATE ISSUED: January 22, 2016

SUBJECT:

Adoption of a Resolution Approving the Tenth Recognized Obligation Payment Schedule Covering July 1, 2016, Through June 30, 2017, Designated as ROPS 16-17; and

Adoption of a Resolution Approving the Administrative and Project Management Budget of the Successor Agency for July 1, 2016, Through June 30, 2017.

CONTACT/PHONE NUMBER: Wanda F. Nations, Principal Accountant
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DESCRIPTIVE SUMMARY OF ITEM:

The Oversight Board is expected to hold only one meeting, on January 25, 2016, to consider approval of the tenth Recognized Obligation Payment Schedule for the Successor Agency covering the time period from July 1, 2016 through June 30, 2017 (“ROPS 16-17”), and the Administrative and Project Management Budget for the Successor Agency covering the time period from July 1, 2016 through June 30, 2017 (“ROPS 16-17 Budget”). The deadline for the Successor Agency’s submittal of the Oversight Board-approved version of ROPS 16-17 to the State Department of Finance is February 1, 2016.

STAFF RECOMMENDATION: That the Oversight Board adopt two separate resolutions:

- (1) Approving ROPS 16-17, including the “Additional Explanation of Notes and Reservation of Rights” attached thereto; and
- (2) Approving the ROPS 16-17 Budget.

I. Background

A. Status of Dissolution.

The Successor Agency is in the process of winding down the operations of the former Redevelopment Agency of the City of San Diego (“Former RDA”) in accordance with Assembly Bill x1 26 (“AB 26”), enacted on June 28, 2011, Assembly Bill 1484 (“AB 1484”), enacted on June 27, 2012, and subsequent related legislation (collectively, the “Dissolution Laws”). On January 10, 2012, the City Council designated the City of San Diego (“City”) to serve as the Successor Agency to the Former RDA for purposes of winding down the Former RDA’s operations. Certain actions and decisions of the Successor Agency are subject to review and approval by the Oversight Board, the California Department of Finance (“DOF”), the San Diego

County Auditor-Controller (“CAC”), and the State Controller. The CAC is responsible for administering the Redevelopment Property Tax Trust Fund (“RPTTF”), comprised of property tax increment revenue collected in the City’s fourteen (14) redevelopment project areas.

Senate Bill 107 (“SB 107”), which went into effect immediately upon its enactment in September 2015, made substantial amendments to the Dissolution Laws. For example, SB 107 changed the ROPS reporting period from every six months to once per fiscal year, running from July 1 through June 30, beginning with the fiscal year commencing on July 1, 2016, and ending on June 30, 2017. SB 107, though, did not change the time period covered by the Successor Agency’s administrative budgets under California Health and Safety Code (“Code”) section 34177(j). Those administrative budgets continue to cover six-month fiscal periods, requiring two administrative budgets for each annual ROPS, but are to be reviewed and approved only by the Oversight Board and not the DOF.

B. Purpose and Timing of ROPS 16-17.

Under the Dissolution Laws, the ROPS is the governing document as to payments allowed to be made by the Successor Agency during each fiscal year. Each ROPS is approved on a forward-looking basis for the upcoming fiscal year.

ROPS 16-17 addresses revenue and payments for the fiscal year beginning on July 1, 2016, and ending on June 30, 2017 (see Attachment A). ROPS 16-17 must be approved by the Oversight Board and then submitted to the DOF no later February 1, 2016. Code section 34177(o) imposes onerous penalties on both the City and the Successor Agency for failing to submit an Oversight Board-approved ROPS on time. For instance, the City is subject to a civil penalty of \$10,000 per day for every day the ROPS is late. Also, if the ROPS is late by more than 10 days, the Successor Agency’s maximum administrative cost allowance for the ROPS fiscal year is reduced by 25 percent. Under certain circumstances, the DOF could direct the CAC to distribute to local taxing entities any RPTTF monies that otherwise would have been distributed to the Successor Agency to pay enforceable obligations during the ROPS fiscal year.

Under the Dissolution Laws, a ROPS is not considered valid until the following conditions have been met:

- The ROPS is prepared by the Successor Agency and submitted to the Oversight Board for approval;
- The ROPS is submitted to the County Administrative Officer, the CAC, and the DOF, at the same time it is submitted to the Oversight Board for approval;
- The Oversight Board approves the ROPS; and
- The Oversight Board-approved ROPS is submitted to the CAC, the State Controller, and the DOF and posted to the Successor Agency’s internet website.

The DOF has until April 15, 2016, to make its determination of the enforceable obligations and the amounts and funding sources of the enforceable obligations on ROPS 16-17, subject to the potential meet-and-confer process between the DOF and the Successor Agency described above

for disputed items in ROPS 16-17. (If the meet-and-confer process is used, the DOF must issue a final determination on ROPS 16-17 disputed items at least 15 days before the date of the CAC's first RPTTF distribution for the ROPS 16-17 fiscal year, on the first business day in June.)

II. Contents of ROPS 16-17

A. New ROPS Template.

Successor Agency staff has prepared ROPS 16-17 based on the updated ROPS template issued by the DOF on December 24, 2015. Due to space limitations in the "Notes" spreadsheet corresponding to individual line items, Successor Agency staff has prepared the document entitled "Successor Agency's Additional Explanation of Notes and Reservation of Rights." This document, included as Attachment B to this report and as part of the overall ROPS 16-17, is very similar to the document attached to several prior ROPS.

B. Report of Estimated vs. Actual Expenditures.

Each ROPS is prepared using estimates and staff's best assumptions as to the timing and amount of payments in the ROPS fiscal year. With previous ROPS, the Successor Agency was required to use a prior period adjustment form ("PPA Form") to report the actual payment, compared to the original estimated payment, during the preceding six-month period for each enforceable obligation shown in the ROPS. The DOF's detailed instructions for ROPS 16-17 explain that the DOF has removed the PPA Form from the ROPS template temporarily to allow reporting of actual expenditures for a 12-month period, rather than a six-month period. Consequently, ROPS 16-17 does not contain a PPA Form. It is anticipated that the DOF will provide specific instructions regarding the filing of a PPA Form in the future. SB 107 amended Code section 34186 to state that, commencing October 1, 2018, each ROPS will include an annual PPA Form.

C. DOF's Removal of Line Items.

Several items listed on previous ROPS have been fully depleted and no remaining obligation continues to be shown on ROPS 16-17. The DOF has removed these line items from the ROPS form. Most line items highlighted in "red" in the ROPS 16-17 template by the DOF have been denied as enforceable obligations during previous ROPS periods. For example, the DOF rejected the following line items in ROPS 9:

- Community Building Services (Line 261) - \$15 thousand
- Epic Land Solutions (Line 266) - \$30 thousand
- JMJ, Inc. (Line 272) - \$30 thousand
- Associa on Call (Line 285) - \$11 thousand
- Nasland Engineering Contract (Line 303) – reduced from \$103 thousand to \$50 thousand
- Rodney Smith dba Rightway Landscaping (Line 319) - \$118 thousand
- Urban Corps (Line 325) - \$107 thousand
- Alliant Insurance Services (Line 446) - \$13 thousand
- Alliant Insurance Services (Line 447) - \$18 thousand
- Alliant Insurance Services (Line 452) - \$97 thousand

- Remediation of St. Joseph's Park (Line 571) - \$213 thousand
- Remediation of St. Joseph's Park (Line 572) – \$31 thousand
- Remediation of East Village Green – East Block (Line 573) - \$155 thousand

In large part, the DOF denied the above line items because the contractual services or work pertain to properties that the DOF expects to be promptly transferred from the Successor Agency to the City in accordance with the approved long-range property management plan.

D. Proposed Addition of New Line Items.

The Successor Agency proposes to add two new line items to ROPS 16-17 related to excess redevelopment housing bond proceeds in the Successor Agency's possession that must be expended at the direction of the City, as housing successor, pursuant to Code section 34176(g). These new line items include:

- 631 – Affordable Housing Public Improvements – payable to AMCAL for public improvements related to multi-family affordable housing projects benefiting the Southeastern San Diego area.
- 632 – Affordable Housing Public Improvements – payable to National Core & Community Housing Works for public improvements related to multi-family affordable housing projects benefiting the Southeastern San Diego area.

E. Revival of Certain Interagency Loan Agreements.

SB 107 allowed the Successor Agency to revive several loans from the City to the Former RDA, including the CDBG Repayment Agreement, the NTC section 108 loan agreement, the Long-Term Miscellaneous Debt Agreement, and the NTC site purchase loan agreement. The Oversight Board and the DOF approved installment payment amounts for these revived loans in ROPS 9, and specifically approved the reinstated NTC site purchase loan agreement. Additional installment payments related to these loans are included in ROPS 16-17 (see line items 626-630) and are anticipated to be included in future ROPS, until the loans are repaid in full.

III. ROPS 16-17 Administrative and Project Management Budget

Pursuant to Code section 34177(j), the Successor Agency is periodically required to adopt and submit administrative budgets to the Oversight Board for approval. The proposed budgets must include: (1) estimated amounts for the Successor Agency's administrative costs for the upcoming six-month period; (2) proposed sources of payments for the costs identified; and (3) proposed arrangements for administrative and operation services provided by a city or other entity. The Successor Agency can receive, as an administrative cost allowance, up to three percent (3%) of the amount of RPTTF distributed to the Successor Agency in the prior fiscal year, less the amount of the administrative cost allowance and amounts of any City loan repayments in the prior fiscal year, subject to a floor of \$250,000 and a ceiling of 50% of RPTTF distributed to the Successor Agency to pay enforceable obligations in the prior fiscal year ("Administrative Cost

Allowance”). ROPS 16-17 shows that the maximum amount of the Administrative Cost Allowance for the ROPS 16-17 fiscal year is approximately \$2,984,472.

The ROPS 16-17 Budget for the ROPS 16-17 fiscal year is comprised of two six-month budgets for July 1, 2016, through December 31, 2016, and January 1, 2017, through June 30, 2017, respectively, and provides for total expenditures of approximately \$7.5 million. The ROPS 16-17 Budget is segregated by administrative costs and project management costs. The administrative cost portion of the ROPS 16-17 Budget is \$3.9 million and the project management portion is \$3.6 million. Further details about the ROPS 16-17 Budget can be found in Attachment C to this report. The ROPS 16-17 Budget is funded with \$2,984,472 of three percent (3%) administrative cost allowance and \$864,528 of estimated other income to be generated by the Successor Agency, as shown in the “Other” column of line item 466 on ROPS 16-17. Pursuant to the policies and procedures adopted by the Successor Agency on February 13, 2012, the Successor Agency’s administrative function will be coordinated through the Office of the Mayor and carried out by either City staff or employees of a City-owned nonprofit public benefit corporation (i.e., Civic San Diego).

Based on guidance provided by the DOF and current language in the Dissolution Laws, the Successor Agency may fund its administrative function beyond the Administrative Cost Allowance with any funds on hand, such as bond proceeds or non-RPTTF sources. Project management costs associated with the implementation of enforceable obligations are deemed project-specific expenses and are not counted against the Administrative Cost Allowance.

The table below provides a comparison of the proposed ROPS 16-17 Budget to the combined approved ROPS 8 and ROPS 9 semi-annual administrative budgets.

Expenditure	ROPS 16-17 Amount	ROPS 8 & 9 Amount	Change
Legal Services	\$ 1,051,000	\$ 976,000	\$ 75,000
Financial/Debt Services	\$ 100,000	\$ 123,000	\$ (23,000)
Accounting Services	\$ 456,000	\$ 456,000	\$ 0
Real Estate Services	\$ 272,000	\$ 272,000	\$ 0
Admin./Project Mgmt. Support	<u>\$ 5,605,000</u>	<u>\$ 5,400,354</u>	<u>\$204,646</u>
Total	<u>\$ 7,484,000</u>	<u>\$ 7,227,354</u>	<u>\$256,646</u>

FISCAL CONSIDERATIONS:


Total disbursements toward enforceable obligations during the ROPS 16-17 fiscal year are \$108,323,034, which is funded with \$5,856,172 of funds on hand from the Former RDA, including bond proceeds, other funds, and reserves, \$2,984,472 from Administrative Cost Allowance from RPTTF, and a disbursement of \$99,482,390 from the RPTTF for enforceable obligations.

Respectfully submitted,



Wanda F. Nations
Principal Accountant

Concurred by:



Reese A. Jarrett
President

Attachments: A – Tenth Recognized Obligation Payment Schedule (ROPS 16-17)
 B – Additional Explanation of Notes and Reservation of Rights
 C – ROPS 16-17 Administrative and Project Management Budget

OVERSIGHT BOARD RESOLUTION NUMBER OB-2016-1

A RESOLUTION OF THE OVERSIGHT BOARD FOR THE CITY OF SAN DIEGO REDEVELOPMENT SUCCESSOR AGENCY APPROVING THE RECOGNIZED OBLIGATION PAYMENT SCHEDULE COVERING JULY 1, 2016, THROUGH JUNE 30, 2017, DESIGNATED AS ROPS 16-17.

WHEREAS, the former Redevelopment Agency of the City of San Diego (Former RDA) administered the implementation of various redevelopment projects, programs, and activities within designated redevelopment project areas throughout the City of San Diego (City); and

WHEREAS, in accordance with Assembly Bill x1 26 (AB 26), the Former RDA dissolved as of February 1, 2012, at which time the City, solely in its capacity as the designated successor agency to the Former RDA (Successor Agency), assumed the Former RDA's assets and obligations; and

WHEREAS, the Successor Agency is winding down the Former RDA's operations in accordance with AB 26, enacted on June 28, 2011, Assembly Bill 1484 (AB 1484), enacted on June 27, 2012, and subsequent related legislation (collectively, the Dissolution Laws); and

WHEREAS, the Oversight Board was formed pursuant to California Health and Safety Code (HSC) section 34179 to oversee certain actions and decisions of the Successor Agency under the Dissolution Laws; and

WHEREAS, the San Diego County Auditor-Controller (County Auditor), the State Controller, and the State Department of Finance (DOF) also possess certain rights and obligations under the Dissolution Laws with respect to the Successor Agency's administration of winding down the Former RDA's operations; and

WHEREAS, pursuant to HSC section 34177(l), Successor Agency staff must prepare a Recognized Obligation Payment Schedule (ROPS) on a forward-looking basis for specified

fiscal time periods, showing the payments to be made toward enforceable obligations and the funding sources for the payments; and

WHEREAS, Senate Bill 107 (SB 107), which went into effect immediately upon its enactment in September 2015, made substantial amendments to the Dissolution Laws; and

WHEREAS, among other things, SB 107 changes the ROPS reporting period from every six months to once per fiscal year, running from July 1 through June 30, beginning with the fiscal year commencing on July 1, 2016, and ending on June 30, 2017; and

WHEREAS, Successor Agency staff has prepared the proposed tenth ROPS covering the fiscal year beginning on July 1, 2016, and ending on June 30, 2017, also known as ROPS 16-17, a copy of which is included as Attachment A to the Staff Report accompanying this item (Staff Report); and

WHEREAS, ROPS 16-17 consists of a multi-page spreadsheet on the DOF's mandatory template, showing proposed payments by the Successor Agency toward enforceable obligations for the ROPS 16-17 fiscal year; and

WHEREAS, ROPS 16-17 also contains a document entitled "Successor Agency's Additional Explanation of Notes and Reservation of Rights" (Additional Notes) that is necessary due to space limitations in the DOF's mandatory ROPS template, and this additional document is included as Attachment B to the Staff Report; and

WHEREAS, HSC section 34177(o) requires the Successor Agency to obtain the Oversight Board's approval of ROPS 16-17 and to submit ROPS 16-17 to the DOF by February 1, 2016, and subjects both the City and the Successor Agency to specified civil penalties in the event ROPS 16-17 is not timely submitted to the DOF; and

WHEREAS, the DOF is requiring use of an updated electronic template for submission of ROPS 16-17, but the DOF did not provide the Successor Agency with access to this updated template until late December 2015; and

WHEREAS, Successor Agency staff has prepared ROPS 16-17 with the DOF's updated template for ROPS 16-17, but may need to update certain factual information and correspondingly adjust the Notes spreadsheet or the Additional Notes in the future for various line items in ROPS 16-17; and

WHEREAS, the anticipated dates for the County Auditor's semi-annual distributions of property taxes generated in the redevelopment project areas to the Successor Agency and local taxing entities with respect to ROPS 16-17 are June 1, 2016, and January 3, 2017 (each, a ROPS Distribution Date); and

WHEREAS, HSC section 34177(o) requires the DOF to review ROPS 16-17 and make a determination of enforceable obligations and proposed funding sources on ROPS 16-17 no later than April 15, 2016; and

WHEREAS, HSC section 34177(o) further provides that the Successor Agency may, within five business days after the DOF's determination on ROPS 16-17, request additional review by the DOF and an opportunity to meet and confer with the DOF on disputed items in ROPS 16-17, and the DOF must notify the Successor Agency and the County Auditor regarding the outcome of its additional review at least 15 days before the first ROPS Distribution Date; and

WHEREAS, the Oversight Board's decision regarding approval of ROPS 16-17 will not become effective until after the decision has been approved or deemed approved by the DOF in accordance with HSC sections 34177(o) and 34179(h), subject to the outcome of any meet-and-

confer process on disputed items in ROPS 16-17 initiated by Successor Agency staff with the DOF.

NOW, THEREFORE, BE IT RESOLVED by the Oversight Board as follows:

1. ROPS 16-17 is approved.
2. Subject to the approval of the Oversight Board's Chair and the Oversight Board's

legal counsel, Successor Agency staff may make any necessary adjustments to ROPS 16-17, including the Notes spreadsheet and the Additional Notes, due to delays associated with the DOF's recent provision of the updated mandatory ROPS template, provided that the substantive content of ROPS 16-17 remains substantially the same as presented to the Oversight Board during its meeting on January 25, 2016.

PASSED AND ADOPTED by the Oversight Board at a duly noticed meeting of the Oversight Board held on January 25, 2016.

Chair, Oversight Board

OVERSIGHT BOARD RESOLUTION NUMBER OB-2016-2

A RESOLUTION OF THE OVERSIGHT BOARD FOR THE CITY OF SAN DIEGO REDEVELOPMENT SUCCESSOR AGENCY APPROVING THE ADMINISTRATIVE AND PROJECT MANAGEMENT BUDGET OF THE SUCCESSOR AGENCY FOR JULY 1, 2016, THROUGH JUNE 30, 2017, CORRESPONDING TO ROPS 16-17.

WHEREAS, the former Redevelopment Agency of the City of San Diego (Former RDA) administered the implementation of various redevelopment projects, programs, and activities within designated redevelopment project areas throughout the City of San Diego (City); and

WHEREAS, in accordance with Assembly Bill x1 26 (AB 26), the Former RDA dissolved as of February 1, 2012, at which time the City, solely in its capacity as the designated successor agency to the Former RDA (Successor Agency), assumed the Former RDA's assets and obligations; and

WHEREAS, the Successor Agency is winding down the Former RDA's operations in accordance with AB 26, enacted on June 28, 2011, Assembly Bill 1484 (AB 1484), enacted on June 27, 2012, and subsequent related legislation (collectively, the Dissolution Laws); and

WHEREAS, the Oversight Board was formed pursuant to California Health and Safety Code (HSC) section 34179 to oversee certain actions and decisions of the Successor Agency under the Dissolution Laws; and

WHEREAS, the San Diego County Auditor-Controller (County Auditor), the State Controller, and the State Department of Finance (DOF) also possess certain rights and obligations under the Dissolution Laws with respect to the Successor Agency's administration of winding down the Former RDA's operations; and

WHEREAS, HSC section 34177(j) requires the Successor Agency to prepare and submit to the Oversight Board for approval, an administrative budget for each six-month fiscal period, estimating the administrative costs to be expended during the applicable fiscal period, identifying the proposed sources of payment for such administrative costs, and identifying proposed arrangements for administrative and operations services provided by a city or other entity; and

WHEREAS, Senate Bill 107 (SB 107), which went into effect immediately upon its enactment in September 2015, made substantial amendments to the Dissolution Laws, including changing the ROPS reporting period from every six months to once per fiscal year, running from July 1 through June 30, beginning with the fiscal year commencing on July 1, 2016; and

WHEREAS, SB 107 did not change the time period covered by the Successor Agency's administrative budgets under HSC section 34177(j), and such administrative budgets continue to cover six-month fiscal periods, requiring two administrative budgets for each annual ROPS period; and

WHEREAS, Successor Agency staff has prepared a proposed annual "Administrative and Project Management Budget" for the Successor Agency, comprised of two six-month budgets for July 1, 2016, through December 31, 2016, and January 1, 2017, through June 30, 2017, respectively, covering the entire ROPS 16-17 period (collectively, the ROPS 16-17 Budget), a copy of which is included as Attachment C to the Staff Report accompanying this item; and

WHEREAS, the ROPS 16-17 Budget includes the total amount of \$7,484,000, of which \$3,849,000 is allocated to administrative costs and \$3,635,000 is allocated to project management costs, as such categories of costs are described in HSC section 34171(b); and

WHEREAS, the ROPS 16-17 Budget contemplates the Successor Agency's payment of funds to the City in exchange for the provision of certain services by the City and a City-owned

nonprofit public benefit corporation, namely Civic San Diego, related to winding down the Former RDA's operations; and

WHEREAS, under HSC section 34179(h)(1)(B), the Oversight Board's decision regarding approval of the administrative costs in the ROPS 16-17 Budget will become effective immediately, without any need for review by the DOF.

NOW, THEREFORE, BE IT RESOLVED by the Oversight Board as follows:

1. The ROPS 16-17 Budget is approved.
2. The Successor Agency is authorized to make payments in accordance with the ROPS 16-17 Budget, utilizing the funding sources identified therein.

PASSED AND ADOPTED by the Oversight Board at a duly noticed meeting of the Oversight Board held on January 25, 2016.

Chair, Oversight Board