



Oversight Board Staff Report

DATE: January 14, 2021

TO: Los Angeles County Fifth Supervisorial District Consolidated Oversight Board

FROM: Brad McKinney, Assistant City Manager

SUBJECT: Adoption of July 1, 2021-June 30, 2022 Recognized Obligation Payment Schedule (ROPS 21-22)

BACKGROUND

One of the requirements of ABx1 26, was that every six months successor agencies must submit for approval by the Oversight Board a "Recognized Obligation Payment Schedule" (ROPS). This schedule lists all of the payment obligations of the Agency based upon commitments prior to the legislation being adopted. In May of 2012 the Oversight Board approved the first ROPS for the January - June 2012 time period (ROPS I) and have subsequently approved nine additional ROPS.

One of the changes to the dissolution process included in SB 107 was the requirement of submittal of an annual, fiscal year, ROPS instead of every six months. The first annual ROPS cycle was, July 1 2016 – June 30, 2017.

Presented for review and consideration is ROPS 21-22, for the period of July 1, 2021 – June 30, 2022. ROPS for this cycle are due to be submitted to DOF by February 1, 2021.

The Department of Finance provides the form to be used to submit the ROPS. The form contains four sections. The four sections are:

- Page 1 – Summary Page The Summary page is a summary of the other two reporting pages and makes the estimated calculation of the amount eligible from the RPTTF or Trust Fund. The total Enforceable Obligation funded from the RPTTF is \$1,781,387.
- Page 2 – 2021-2022 Obligations. This page lists all of the obligations for the July-June period. A detailed explanation for each item I included below in the ROPS

Summary Information. There are no new items and only four remaining items on the schedule.

- Page 3 – Report of Cash Balance. The report is designed to review the Cash Balance of the Redevelopment Property Tax Trust Fund. This would account for funds in the account other than ROPS distributions, such as bond proceeds and outside income such as rent, of which there is none.
- Page 4 – Notes – We added a note with an explanation of the principal and interest calculation and outstanding balance on the Walker House and City Loans.

The ROPS 21-22 must be submitted to the DOF by February 1 after it has been approved by the Oversight Board. There are financial penalties for not submitting by that date. DOF then has until April 15th to review and make a determination on the ROPS. Within 5 days of the determination a successor agency may request additional review and meet and confer on the determination. County Auditor-Controllers shall make the distribution of funds for the ROPS 21-22 on June 1, 2021 and January 2, 2022.

With the new annual ROPS cycle, SB 107 does provide a provision for amending an approved ROPS once during the cycle. Amendments must be approved by the Oversight Board and submitted to DOF by October 1st. Only items previously approved on the ROPS may be amended, new items cannot be added to the ROPS.

SUMMARY

The following summary information provides the background for each of the items included on the ROPS.

#5 – Loan to CRA – Walker House Loan – In late 200 the city was introduced to the opportunity to restore/renovate the most significant historical structure in our community – the Walker House built in 1887. The Agency adopted the required findings, actively secured several grants to assist with the project, and obtained historic tax credits to work with redevelopment tax increment money to complete the project. To make the project more effective, the city acted as the ‘bank’ to loan the net amount needed after grants to complete the project. Alternatively, a tax allocation bond financing would have added several hundred thousand dollars to the project and financing cost. The loan was finalized in June 2009 with a 20-year term at 5.5% interest. Principal due \$6,523,256 – annual payments \$546,177. At the time of dissolution, the outstanding principal amount dues was \$5,929,571.92. The Oversight Board had previously submitted the loan for consideration which was denied by the DOF. In November 2016, the Oversight Board approved Resolution No. 39 reaffirming the Walker House Loan and the other two city loans were for legitimate purposes. In March 2017 DOF approved this loan as an

enforceable obligation. The amount of the annual eligible loan reimbursement is dictated by a formula, attached. The amount available for this ROPS is \$851,147.

#7 – Loan to CRA Walker House LLC – An LLC was formed to partner with a private interest (in this case the Sherwin Williams Paint Company) to create eligibility for historic tax credit to be available for the Walker House restoration/renovation. Proceeds from the historic tax credit program were loaned from the LLC to assist in the funding of the Walker House restoration/renovation project. The loan is for 20-years at 5.0% interest. Principal and interest due \$764,877 – annual payments \$132,471.

#9 – Administrative Costs – Reimburse the City for administrative costs of the Successor Agency – The administrative budget for the Successor Agency for FY 21-22 will be approved by the Oversight Board in a separate action. The amount requested is \$150,000.

#13 – OPDDA (Parking Lot Lease) – Costco – The Costco project involved above market property acquisition, business relocation, demolition, multiple environmental review, utility work, and off-site traffic improvements over and above project costs to construct the Costco site and building. To address a portion of those costs the Agency and Costco through a Disposition and Development Agreement provided a means for a payment to Costco for a term of 14 years and a maximum total lease payment of \$7 million. The payment amount is calculated from a formula that considers the sales tax production of the site and property taxes on a quarterly basis. The payment obligation began in May 2008. This item was originally denied by the Department of Finance on the ROPS III. The Agency appealed that denial and the DOF ultimately accepted this item as an Enforceable Obligation. The amount is calculated on actual revenues received by the City, therefore is paid once the actual revenues are calculated. These amounts are therefore not known when the ROPS are prepared so we can only provide an estimate. Beginning with the ROPS 13-14B we started calculating the obligation as an estimation of the two quarters and adding in any differences from the prior period's actuals. This has been a process that continues each ROPS submittal since we will always be submitting estimates and "trueing-up" to actuals the following ROPS submittal. The amount included in this ROPS is \$647,769 which is an annual estimate.

RECOMMENDATION

After review and discussion San Dimas Successor Agency staff recommends that the Oversight Board approve the Resolution approving ROPS for July 1, 2021 – June 30, 2022 (ROPS 15 21-22).

Attachments:



Oversight Board Staff Report

DATE: January 14, 2021

TO: Los Angeles County Fifth Supervisorial District Consolidated Oversight Board
For the Meeting of January 14, 2021

FROM: Brad McKinney, Assistant City Manager

SUBJECT: Consideration of the Successor Agency Administrative Budget covering the period July 1, 2021 – June 30, 2022.

BACKGROUND

ABx1 26 requires the preparation of an administrative budget for each ROPS cycle. The administrative budget lists the estimated amount of Successor Agency administrative costs for the period. The administrative budgets are prepared prospectively and are estimates.

This Administrative Budget for Oversight Board review is for the period July 1, 2021 – June 30, 2022, the ROPS 21-22 period.

SB107 made a change in how the maximum amount of the administrative cost allowance is calculated. Previously the administrative cost allowance was up to 3% of actual property tax distributed in the preceding fiscal year, less prior year allowance shall not be less than \$250,000. This section did not change; however, a new section was added that provides that the annual administrative allowance shall not exceed 50% of the total RPTTF distributed to pay enforceable obligations in the preceding fiscal year. The \$250,000 allowance is well below the 50% threshold. Actual expenses are estimated at below the \$250,000 therefore, the budgeted administrative allowance for this period is \$150,000.

The overall administrative budget is made up of four categories staff, legal, consultants and miscellaneous.

- Staff – Staff includes the personnel costs of the primary City staff working on responsibilities of the Successor Agency. The projected hours are based on the best estimate of the hours necessary to continue the work of the Successor

Agency. The number of staff hours has fluctuated for each period depending on the workload and Agency activities within that period. It was anticipated that staff time would reduce over time, however, the workload continues. It is anticipated that for this period there will be continued work addressing unresolved issues such as city loans, implementation of the LRPMP and on-going audits. In addition, the staff component reflects a 10% overhead charge for the support of the primary staff – staff, equipment and incidental. The office rent component reflects a proportionate office rent costs for the primary staff. The budget amount is \$79,500.

- Legal – This component reflects the billable hours from legal counsel directly related to the Successor Agency and Oversight Board activities. The proposed budget is \$30,000.
- Consultants/Audits – The consultant component includes expenses for auditors and other potential consultants. The budget amount is \$40,000.
- Misc. – Includes miscellaneous expenses such as travel or specific supplies related to the Successor Agency activities. The budget amount is \$500.

Exhibit “A” shows the proposed Administrative Budget for the July 1, 2021 – June 30, 2022 period totaling \$150,000. In any given period, the actual expenses are less than the anticipated amount an adjustment is made on the actual distribution for the next ROPS period.

RECOMMENDATION

Staff recommends that the Oversight Board review and approve the Resolution approving the Administrative Budget for the July 1, 2021 – June 30, 2022 through period.

Attachments:

SAN DIMAS SUCCESSOR AGENCY ADMINISTRATION BUDGET
ROPS 21-22 (XV) JULY 2021 – JUNE 2022

EXPENSE CATEGORY	AMOUNT	NOTES
Staff	\$79,500	See Staff Cost Chart for detail of hours.
Legal	\$30,000	Estimate is \$5,000 less than actual for prior 6 months
Consultants	\$30,000	Tax Consultant - \$5,000 Property Disposition - \$25,000
Audit/Trustee Fees	\$10,000	Annual Audit and Bank Fees
Misc. – Travel, supplies	\$500	DOF meetings, office supplies
TOTAL	\$150,000	

	<u>HOURS</u>	<u>RATE</u>	<u>COST</u>
ADMINISTRATIVE SERVICES			
CITY MANAGER	65	\$207.99	\$13,519.35
ASSISTANT CITY MANAGER	133	\$146.54	\$19,489.82
ADMINISTRATIVE SERVICES MANAGER	75	\$116.06	\$8,704.50
CITY CLERK	25	\$85.83	\$2,145.75
ACCOUNTING SUPERVISOR	95	\$80.91	\$7,686.45
COMMUNITY DEVELOPMENT			
COMMUNITY DEVELOPMENT DIRECTOR	18	\$120.15	\$2,153.70
TOTAL PERSONNEL			\$53,699.57
OVERHEAD 10%			\$5,369.96
OFFICE RENT	SF 681	\$30.00	\$20,430.00
TOTAL EXPENDITURES			\$79,499.53

RATES ARE PRODUCTIVE HOURLY RATES