

OVERSIGHT BOARD
SUCCESSOR AGENCY
TO THE WEST HOLLYWOOD
COMMUNITY DEVELOPMENT COMMISSION

SEPTEMBER 22, 2014

SUBJECT: RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE WEST HOLLYWOOD COMMUNITY DEVELOPMENT COMMISSION ADOPTING A RECOGNIZED OBLIGATION PAYMENT SCHEDULE FOR THE PERIOD FROM JANUARY 1, 2015 THROUGH JUNE 30, 2015 PURSUANT TO HEALTH AND SAFETY CODE SECTION 34177

INITIATED BY: SUCCESSOR AGENCY

(David A. Wilson, Director of Finance & Technology Services) *DAW*
(John Leonard, Revenue Management Manager) *JL*

STATEMENT ON THE SUBJECT:

The Oversight Board will consider approval of the Recognized Obligation Payment Schedule for the period from January 1, 2015 through June 30, 2015.

RECOMMENDATION:

Adopt Resolution No. OB14-013 "A RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE WEST HOLLYWOOD COMMUNITY DEVELOPMENT COMMISSION ADOPTING A RECOGNIZED OBLIGATION PAYMENT SCHEDULE FOR THE PERIOD FROM JANUARY 1, 2015 THROUGH JUNE 30, 2015 PURSUANT TO HEALTH AND SAFETY CODE SECTION 34177"

BACKGROUND ANALYSIS:

On February 1, 2012, pursuant to Assembly Bill x1 26 ("AB x1 26") all redevelopment agencies across the State were dissolved and successor agencies were established to wind-down their operations and obligations. Pursuant to Health and Safety Code Section ("H&SC") 34177(m), successor agencies are required to continue to make payments due for enforceable obligations of the former redevelopment agencies. A Recognized Obligation Payment Schedule ("ROPS") must be prepared by the Successor Agency to the West Hollywood Community Development Commission ("Successor Agency") setting forth the minimum payments and due dates of payments required by enforceable obligations for each six-month fiscal period and presented to the Oversight Board of the Successor Agency ("Oversight Board") for approval.

The ROPS for the period from January 1, 2015 through June 30, 2014 ("ROPS No. 7 or ROPS 14-15B") must be approved by the Successor Agency's Oversight

Board and transmitted to the County Auditor-Controller (“Auditor-Controller”), State Department of Finance (“DOF”), and State Controller, no later than October 1, 2015. If the Successor Agency and Oversight Board fail to meet the October 1 deadline, the City of West Hollywood may be liable for substantial penalties, including a \$10,000 per day penalty for each day past the deadline.

The Successor Agency was required to submit a copy of the draft ROPS to the County Administrative Officer, Auditor-Controller, and DOF at the same time that it was submitted to the Oversight Board for approval; this requirement was met. The Auditor-Controller is authorized to object to any item on the ROPS or the proposed funding source prior to or after Oversight Board consideration. If the Oversight Board disagrees with the Auditor-Controller, it may refer the matter to DOF for final determination.

Once the ROPS is approved by the Oversight Board, DOF will have 45 days to review and approve the ROPS, or object to any of the enforceable obligations. If the Successor Agency disputes DOF’s determination, it can request to meet and confer with DOF within 5 days of their determination. DOF will make the final determination regarding the dispute and must notify the Successor Agency and Auditor-Controller of its determination 15 days before the date of property tax distribution by the Auditor-Controller.

Below is a description of each enforceable obligation line item listed on ROPS 14-15B. Some line items are not shown on the ROPS or included within this staff report, because those items have been retired (fully paid). For example, the descriptions below start with ROPS line item #7, line items 1-6 were for the former Community Development Commission’s 2003 Tax Allocation Bonds, which were refinanced in December 2013. The line items associated with the 2003 bonds were retired and new enforceable obligations for the 2013 refunding bonds were created (line items 26-29). DOF requires that ROPS line items maintain their established line item numbers even when other enforceable obligations are retired.

In December 2013, the Successor Agency refinanced its 2003 Tax Allocation Bonds as part of the County of Los Angeles’s Pooled Bond Refunding program. As part of the refunding, the Successor Agency is now required to request the entirety of debt service for each calendar year on ROPS B (the first ROPS of the calendar year). Funds associated with debt service for the period from January 1 through June 30, will be used to pay debt service during the ROPS B period, and funds associated with debt service for the period from July 1 through December 31, will be held in trust by the trustee for the bonds and used to pay debt service during the ROPS A period. This is required because the successor agency must reserve enough funding to pay debt service before it can use funds for any other expenses.

ROPS 14-15B - (January 1, 2015 through June 30, 2015)

ROPS 14-15B (Attachment 1) includes debt service payments and fees for the former redevelopment agency's 2011 tax allocation bonds and the Successor Agency's 2013 refunding bonds (refunded the former redevelopment agency's 2003 bonds).

Enforceable Obligation Detail

- 7) 2011 Tax Allocation Non-Housing Bonds Series A Debt Service (Principal) – Principal repayment for non-housing bonds; due on September 1 of each year. The amount requested on the ROPS is a prefunding amount for the 9/1/15 principal payment. The Successor Agency refunded its 2003 bonds in December 2013, and was required to add this prefunding requirement for both the 2011 bonds and the 2013 refunding bonds, because both bonds are on the same indenture.

Payments Due: \$285,000
Payment Source: Redevelopment Property Tax Trust Fund
("RPTTF")

- 8) 2011 Tax Allocation Non-Housing Bonds Series A Debt Service (Interest) – Interest payment for non-housing bonds; one half of the interest payment is due on March 1 and September 1 of each year. Includes an interest payment of \$1,028,443.75 due on March 1, 2015, and prefunding for the interest payment of \$1,028,443.75 due on September 1, 2015. The Successor Agency refunded its 2003 bonds in December 2013, and was required to add this prefunding requirement for both the 2011 bonds and the 2013 refunding bonds, because both bonds are on the same indenture.

Payments Due: \$2,056,888
Payment Source: RPTTF

- 9) 2011 Tax Allocation Non-Housing Bonds Series A Bond Trustee Fees – Bond fee payment for non-housing bonds; due on March 1 of each year.

Payments Due: \$1,590
Payment Source: RPTTF

- 10) 2011 Tax Allocation Housing Bonds Series B Debt Service (Principal) – Principal repayment for housing bonds; due on September 1 of each year. The amount requested on the ROPS is a prefunding amount for the 9/1/15 principal payment. The Successor Agency refunded its 2003 bonds in December 2013, and was required to add this prefunding requirement for both the 2011 bonds and the 2013 refunding bonds, because both bonds are on the same indenture.

Payments Due: \$50,000
Payment Source: RPTTF

- 11) 2011 Tax Allocation Housing Bonds Series B Debt Service (Interest) – Interest payment for housing bonds; one half of the interest payment is due on March 1 and September 1 of each year. Includes an interest payment of \$410,368.75 due on March 1, 2015, and prefunding for the interest payment of \$410,368.75 due on September 1, 2015. The Successor Agency refunded its 2003 bonds in December 2013, and was required to add this prefunding requirement for both the 2011 bonds and the 2013 refunding bonds, because both bonds are on the same indenture.

Payments Due: \$820,738
Payment Source: RPTTF

- 12) 2011 Tax Allocation Housing Bonds Series B Bond Trustee Fees – Bond fee payment for housing bonds; due on March 1 of each year.

Payments: \$1,590
Payment Source: RPTTF

- 15) ALA – Janet Witkin Center Project (Oversight [Employee] Costs) – This obligation was denied by DOF on ROPS 3. The Successor Agency continues to disagree with DOF's determination regarding this obligation.

Payments: None
Payment Source: 2011 Series B Housing Bond proceeds

- 17) La Brea Courtyard Project (Permanent Financing Loan) – This obligation was denied by DOF on ROPS 3. The Successor Agency continues to disagree with DOF's determination regarding this obligation.

Payments: None
Payment Source: 2011 Series B Housing Bond proceeds

- 18) La Brea Courtyard Project (Oversight [Employee] Costs) – This obligation was denied by DOF on ROPS 3. The Successor Agency continues to disagree with DOF's determination regarding this obligation.

Payments: None
Payment Source: 2011 Series B Housing Bond proceeds

- 19) West Hollywood Community Housing Corporation – Disabled Access Improvements and Rehabilitation of Low and Moderate Income Affordable Housing Projects – This obligation was denied by DOF on ROPS 3. The Successor Agency continues to disagree with DOF's determination regarding this obligation.

Payments: None
Payment Source: 2011 Series B Housing Bond proceeds

- 20) Phase 1 – Plummer Park Master Plan (Construction Costs – Hard and Soft) – This obligation was denied by DOF on ROPS 3. The Successor Agency continues to disagree with DOF's determination regarding this obligation.

Payments: None
Payment Source: 2011 Series A Non-Housing Bond proceeds

- 21) Phase 1 – Plummer Park Master Plan (Oversight [Employee] Costs) – This obligation was denied by DOF on ROPS 3. The Successor Agency continues to disagree with DOF's determination regarding this obligation.

Payments: None
Payment Source: 2011 Series A Non-Housing Bond proceeds

- 23) Audit Services Required by AB x1 26, as Amended by AB 1484 – Annual financial audit. This item has been retired and will be removed from the next ROPS worksheet by DOF.

Payments: None
Payment Source: RPTTF and Other Successor Agency Funds

- 24) Writ of Mandate in Los Angeles Unified School District v. County of Los Angeles – On June 15, 2012, a writ of mandate was issued in Los Angeles Unified School District v. City of Los Angeles, which imposes additional obligations on Los Angeles County and successor agencies within the County regarding pass-through payment calculations. First, the County Auditor-Controller must recalculate pass-through payments for each fiscal year from 2003-04 through January 31, 2012, consistent with the Court's order, and notify each successor agency of the correct amount. Successor agencies must then calculate the amount of statutory pass-through payments due to LAUSD pursuant to the writ of mandate, including 7% interest on the amount due. In June 2013, the Court ruled on the second phase of the case, siding again with LAUSD. The amount owed by the Successor Agency must be listed on subsequent ROPS and the full amount owed must be remitted to LAUSD. It is likely the County Auditor-Controller will be required to calculate the amount owed by the Successor Agency, once the recalculated pass-through payment amounts are received, Successor Agency staff will place that payment amount on a subsequent ROPS once it is received from the County. It is anticipated this payment may be made during the ROPS 15-16A period and could be between \$400,000 and \$500,000.

Payments: TBD
Payment Source: RPTTF

- 25) Successor Agency Administrative Costs/Budget – A \$250,000 administrative allowance was approved by the Oversight Board in February, for the period July 1, 2014 through June 30, 2015. No administrative allowance request is needed during this ROPS period.

Payments: None
Payment Source: Administrative Allowance

- 26) 2013 Tax Allocation Refunding Bonds Debt Service (Principal) – Principal repayment for refunding bonds; due on September 1 of each year. The amount requested on the ROPS is a prefunding amount for the 9/1/15 principal payment. The Successor Agency refunded its 2003 bonds in December 2013, and was required to add this prefunding requirement.

Payments Due: \$300,000
Payment Source: RPTTF

- 27) 2013 Tax Allocation Refunding Bonds Debt Service (Interest) – Interest payment for refunding bonds; one half of the interest payment is due on March 1 and September 1 of each year. Includes an interest payment of \$215,762.50 due on March 1, 2015, and prefunding for the interest payment of \$215,762.50 due on September 1, 2015. The Successor Agency refunded its 2003 bonds in December 2013, and was required to add this prefunding requirement.

Payments Due: \$431,525
Payment Source: RPTTF

- 28) 2013 Tax Allocation Refunding Bonds Trustee Fees – Trustee fees (Bank of New York) for the new 2013 Successor Agency Refunding Bonds; due in December of each year.

Payments Due: None
Payment Source: RPTTF

- 29) 2013 Tax Allocation Refunding Bonds Trustee Fees – Trustee fees (Union Bank) for the new 2013 Successor Agency Refunding Bonds; due in December of each year.

Payments Due: None
Payment Source: RPTTF

FISCAL IMPACT:

\$3,772,543 in Redevelopment Property Tax Trust Fund (“RPTTF”) monies (provided by the County Auditor-Controller) are needed to meet the obligations detailed in ROPS 14-15B.

As part of the ROPS reporting process successor agencies must reconcile actual expenditures with amounts requested on prior ROPS (pages 5-6 of ROPS 14-15B). For ROPS 14-15B the Successor Agency was required to reconcile the actual expenditures for ROPS 13-14B (January 1, 2014 through June 30, 2014). The Successor Agency requested, and received, \$1,811,707 in RPTTF funding for the ROPS 13-14A period. For that period, the Successor Agency also had \$19,634 in carry-over funds from the prior ROPS period; resulting in total available funding of \$1,831,341.

During that period (ROPS 13-14B) the Successor Agency spent \$1,656,553, resulting in a remaining balance of \$174,788 in unspent monies for that specific ROPS period. The Successor Agency is required to credit the unspent monies towards future ROPS costs. For this reason the Successor Agency will receive \$3,772,543 in RPTTF funds for the ROPS 14-15B period (which is \$174,788 less than the amount needed to meet the enforceable obligations detailed in ROPS 14-15B).

The reason there was such a large amount of unspent funds for the ROPS 13-14B period was because the Successor Agency refunded its 2003 Tax Allocation Bonds in December 2013, resulting in both debt service savings and the switch to a new debt service schedule. The ROPS for the 13-14B period (January 1, 2014 through June 30, 2014) had already been adopted several months prior to the refunding, thus the funding requested for that period did not match the new debt service amounts.

ATTACHMENTS:

Attachment 1: Recognized Obligation Payment Schedule (14-15B) for the period January 1, 2015 through June 30, 2015.

Attachment 2: Resolution No. OB14-013 “A RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE WEST HOLLYWOOD COMMUNITY DEVELOPMENT COMMISSION ADOPTING A RECOGNIZED OBLIGATION PAYMENT SCHEDULE FOR THE PERIOD FROM JANUARY 1, 2015 THROUGH JUNE 30, 2015 PURSUANT TO HEALTH AND SAFETY CODE SECTION 34177”