



Item Number XX

STAFF REPORT

Date: January 27, 2020

To: Michael Gregoryk, Chair First District Consolidated Oversight Board

From: Santor Nishizaki, Executive Director to the Cudahy Successor Agency
By: Steven Dobrenen, Finance Officer to the Cudahy Successor Agency

Subject: **Approval of the Recognized Obligation Payment Schedule for the Fiscal Period of July 1, 2020 to June 30, 2021 (ROPS 20-21) and Consideration to Adopt Resolution Approving of the Administrative Budget for Fiscal Period of July 1, 2020 to June 30, 2021**

RECOMMENDATION

The Oversight Board is requested to:

- 1) Approve the Recognized Obligation Payment Schedule (ROPS) for the fiscal period of July 1, 2020 to June 30, 2021 (ROPS 20-21), for submission to the City of Cudahy Oversight Board; and
- 2) Adopt a proposed resolution approving the Administrative Budget for the Recognized Obligation Payment Schedule (ROPS) for the fiscal period of July 1, 2020 to June 30, 2021 (ROPS 20-21).

BACKGROUND

1. On January 17, 2012, the City Council adopted Resolution No. 12-04 electing to serve as the Successor Agency to the Cudahy Community Development Commission.
2. On February 1, 2012, the former Cudahy Community Redevelopment Agency was dissolved pursuant to ABX1 26 (Stats 2011-12, 1st Ex Sess., Chapter 5), and collectively the AB X1 26, as amended by subsequent legislation, shall be referred to as the "State Redevelopment Dissolution Law."

3. On February 1, 2012, the Successor Agency to the Community Development Commission of the City began performing its functions under the Dissolution Law, Parts 1.8 and 1.85 of the Health and Safety Code, as amended by Assembly Bill 1484 and other subsequent legislation (together, the "Dissolution Law"), to administer the enforceable obligations and otherwise unwind the former Agency's affairs, all subject to the review and approval by the Oversight Board.
4. On February 1, 2012, the State Redevelopment Dissolution Law requires the Successor Agency to prepare a proposed "Administrative Budget" for the period concurrent with the six-month fiscal period of each ROPS.
5. On June 27, 2012, Assembly Bill 1484 was signed into law to augment and expand the State Redevelopment Dissolution Law by clarifying agencies' roles in the dissolution process and changing the six-month ROPS submission schedule to an annual reporting process, beginning July 1, 2016.
6. On September 23, 2015, Governor Brown signed Senate Bill 107 into law to augment and expand the State Redevelopment Dissolution Law by imposing additional responsibilities on successor agencies and setting milestones for redevelopment dissolution, including a deadline of February 1, 2017 for the submission of future ROPS to State Department of Finance (DOF).
7. On January 21, 2020, Successor Agency prepared and approved the Administrative Budget for the fiscal period July 1, 2020 through June 30, 2021.
8. On January 21, 2020, the Successor Agency, pursuant to the Dissolution Law, approved ROPS 20-21 as it had passed all prior ROPS and thereafter submitted to DOF, and ultimately approved. Pursuant to Section 34 171(g) of Part 1.85, ROPS means the document setting forth the minimum payment amounts and due dates of payments required by enforceable obligations for each fiscal period as provided in subdivision (m) of Section 34177.

ANALYSIS

AB X1 26 requires the Successor Agency to prepare a ROPS for each twelve-month period, beginning with the twelve month period July 1, 2019 to June 30, 2020. The ROPS essentially serves as an invoice between the Successor Agency and the Los Angeles County Auditor-Controller (County) and dictates how much former property tax increment will be released by the County for the twelve-month period to the Successor Agency to pay for enforceable

obligations. Only payments listed on the ROPS may be made by the Successor Agency during this period.

Currently, the Successor Agency's sources of revenue available to pay for costs listed on the approved ROPS include Former Tax Increment, now held by the County in the Redevelopment Property Tax Trust Fund (RPTTF).

Attachment A reflects the twelve-month estimated payment obligations for the Successor Agency in the online format provided by the DOF. Upon approval the ROPS 20-21 will be submitted to the County, State Controller's Office (SCO) and the DOF by February 1, 2020, the statutory deadline.

The approved Administrative Budget, which pertains to the Successor Agency's "Administrative Cost Allowance," will be listed on ROPS 20-21 and accordingly will be considered an enforceable obligation. Only those enforceable obligations listed and approved on the ROPS may be paid by funds from the Redevelopment Property Tax Trust Fund (RPTTF).

Administrative Cost Allowance is paid to the Successor Agency by the State from property tax revenues allocated by the Los Angeles County Auditor-Controller. This allowance has a limit of up to a maximum of 3% of the property tax allocated for enforceable obligations, but not less than \$250,000 for any fiscal year, unless the Oversight Board reduces this amount. The allowance sought by the Successor Agency for such allowance through its proposed Administrative is \$250,000.

Successor Agency staff and Successor Agency's Fiscal Consultant, HdL Coren & Cone, have prepared and now submit to the Successor Agency the Administrative Budget for the period of July 1, 2020 to June 30, 2021 (Exhibit A to Resolution). Pursuant to Section 34177(j), an Administrative Budget is to include all of the following: (a) estimated amounts of the Successor Agency's administrative costs for the upcoming twelve-month fiscal period (July 1, 2020 to June 30, 2021); (b) the proposed sources of payment for the costs identified in (a); and (c) proposals for arrangements for administrative and operations services provided by the City to the Successor Agency.

Under the State Redevelopment Dissolution Law, each ROPS includes a line item for the Successor Agency's Administrative Budget for the applicable period and requires that the ROPS 20-21 be approved by the Successor Agency and Oversight Board and submitted to the State Department of Finance (DOF) as a part of the ROPS 20-21 by February 1, 2020. The ROPS is subject to review by the Oversight Board, DOF, and the County-Auditor Controller. If the DOF approves the ROPS enforceable obligations, the County-Auditor Controller allocates

and remits funds from the RPTTF to be used for payments of the enforceable obligations listed on the ROPS.

CONCLUSION

It is recommended that the Oversight Board approve ROPS 20-21 to ensure a timely submission of ROPS 20-21. If the Oversight Board does not approve the ROPS 20-21 and accordingly not allow approved ROPS 20-21 to be submitted by February 1, 2020 the Successor Agency will be fined a civil penalty of \$10,000 per day for the failure to submit on time.

FINANCIAL IMPACT

The Successor Agency should receive \$3.34 million, subject to availability of RPTTF, in order to satisfy all former Redevelopment Agency debts and obligations, if approved by the Oversight Board and DOF.

The Successor Agency will be reimbursed up to \$250,000 for expenses and costs related to the dissolution of the former Cudahy Community Development Commission for the fiscal period of July 1, 2020 to June 30, 2021, if approved by the Oversight Board, and the State Department of Finance.

ATTACHMENT

- 1) Exhibit A - Proposed Recognized Obligation Payment Schedule (ROPS 20-21) – ROPS Detail
- 2) Exhibit B - Cudahy Successor Agency Administrative Budget