

City of Brisbane as Successor Agency Agenda Report

To: City Council via City Manager

From: Financial Services Manager

Subject: Recognized Obligation Payment Schedule for July 2017 - June 2018 (ROPS 17-18)

Date: January 5, 2017

Purpose:

To ensure the Successor Agency receives enough funds to make its required payments including bond payments and administrative costs.

Recommendation:

Adopt the July 2017 through June 2018 (17-18A and 17-18B) ROPS (Recognized Obligation Payment Schedule)

Background:

The State of California adopted AB X1 26 on June 28, 2011 and the California Supreme Court upheld that law on December 28, 2011, effectively dissolving all Redevelopment Agencies in the state as of January 31, 2012. This law requires that recognized obligations be approved by the Successor Agency and by the Oversight Board each year. The ROPS for July 2017 through June 2018 is due to the Department of Finance by February 1, 2017 for approval.

Discussion:

Our ROPS is primarily the debt service payments due on the following:

- 2013 Tax Allocation Bonds that refinanced the 2001 Series A bonds
- 2005 Lease Revenue bonds that refinance the 1995 COPs (portion)
- SERAF loans to the Low and Moderate Income Housing Fund for Project #1
- SERAF loans to the Low and Moderate Income Housing Fund for Project #2

Last period we requested a payment for the Deferred Setaside owed to the Low and Moderate Income Housing Fund for Project Area #1 due to the Housing Authority with a total outstanding obligation of \$4,693,936. Deferred payments by the former City of Brisbane Redevelopment Agency (RDA) were required to adopt a statement of existing obligations and include in a resolution and passed prior to September 1, 1986. The former RDA adopted a statement in July 1987, after the 1986 cutoff date. Therefore the request for repayment was not approved and there are no dollars associated with this line item (Line item #5).

Administrative Costs were increased from \$50,000 to \$54,000 to correlate with the City of Brisbane 2017/2018 Adopted Budget (Line item #15).

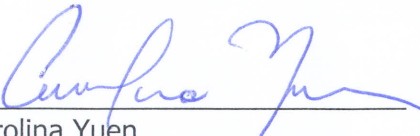
Repayment of SERAF and City Loans per HSC section 34176(e)(6)(B) are limited to one-half of the increase between the ROPS residual pass-through distributed to the taxing entities in the prior ROPS period and the residual pass-through distributed in the 2012-13 base year. Therefore the amounts listed for repayments to the Housing Authority for SERAF #1 and SERAF #2 are adjusted each year up to the combined limit. This year we have enough to cover and pay off the remaining balances of these loans (Line items #6 and #13). We also have enough to begin paying down the 1986 TABS shortfall advanced from the City.

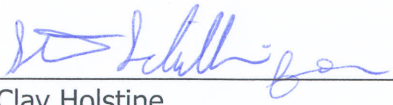
Fiscal Impact:

Based on past tax increment there is enough funds generated within the Successor Agency to make all the payments requested on the ROPS.

Attachments:

- Recognized Obligation Payment Schedule for July 2017 - June 2018 (ROPS 17-18)
- Letter from DOF dated April 11, 2016 denying request to repay the Deferred Setaside


Carolina Yuen
Financial Services Manager


Clay Holstine
City Manager



April 11, 2016

Mr. Stuart Schillinger, Administrative Services Director
City of Brisbane
50 Park Place
Brisbane, CA 94005

Dear Mr. Schillinger:

Subject: 2016-17 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Brisbane Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule for the period July 1, 2016 through June 30, 2017 (ROPS 16-17) to the California Department of Finance (Finance) on February 1, 2016. Finance has completed its review of the ROPS 16-17.

Based on a sample of line items reviewed and application of the law, Finance made the following determinations:

- Item No. 5 – Low and Moderate Income Housing Fund (LMIHF) Deferral requested from Redevelopment Property Tax Trust Fund (RPTTF) in the amount of \$200,000 and with a total outstanding obligation of \$4,693,936 is not approved.

The former City of Brisbane Redevelopment Agency (RDA) deferred payments to their LMIHF totaling \$4,099,278 pursuant to HSC section 33334.6 (d). HSC section 33334.6 (f) required any former RDA deferring funds from their LMIHF pursuant to HSC section 33334.6 (d) or (e) to pass a resolution prior to September 1, 1986 adopting a statement of existing obligations. The former RDA adopted a statement of existing obligations via Resolution No. RA-5-87. Resolution No. RA-5-87 was adopted on July 13, 1987, after the September 1, 1986 cutoff date noted in HSC section 33334.6 (f). Therefore, Item No. 5 is not an enforceable obligation and not eligible for funding on ROPS.

- Item No. 8 – 2005 Lease Revenue Bonds from RPTTF in the requested amount of \$320,333 is partially allowed for \$216,276. Although the Agency requests RPTTF in the amount of \$320,333, only \$216,276 is needed to satisfy the Agency's obligation in the ROPS 16-17 period. Therefore, the excess request of \$104,057 (\$320,333 - \$216,276) is not approved.
- Item No. 13 – Due to the Housing Fund for the Supplemental Educational Revenue Augmentation Fund (SERAF) payment from RPTTF in the requested amount of \$200,000 is partially approved for \$142,461. HSC section 34176 (e) (6) (B) limits repayment to the Low and Moderate Income Housing Asset Fund to one-half of the

increase between the ROPS residual pass-through distributed to the taxing entities in 2015-16 fiscal year and the ROPS residual pass-through distributed to the taxing entities in the 2012-13 base year.

Pursuant to the repayment formula, the Agency's maximum repayment allowed for the ROPS 16-17 period is \$342,461. The Agency's request for Item No. 6 – SERAF repayment is approved for \$200,000. Therefore, the Agency's maximum repayment for Item No. 13 is limited to \$142,461 (\$342,461 - \$200,000). As such, the excess request of \$57,539 (\$200,000 - \$142,461) is not approved.

Except for the items denied in whole or in part, Finance is not objecting to the remaining items listed on your ROPS 16-17. If you disagree with Finance's determination with respect to any items on your ROPS 16-17, except for those items which are the subject of litigation disputing Finance's previous or related determinations, you may request a Meet and Confer within five business days of the date of this letter. The Meet and Confer process and guidelines are available at Finance's website below:

http://www.dof.ca.gov/redevelopment/meet_and_confer/

The Agency's maximum approved RPTTF distribution for the reporting period is \$2,382,182 as summarized in the Approved RPTTF Distribution Table on Page 4 (see Attachment).

ROPS distributions will occur twice annually, one distribution for the July 1, 2016 through December 31, 2016 (ROPS A period), and one distribution for the January 1, 2017 through June 30, 2017 (ROPS B period) based on Finance's approved amounts. Since Finance's determination is for the entire ROPS 16-17 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

On the ROPS 16-17 form, the Agency reported cash balances and activity for the period of July 1, 2015 through June 30, 2016. Finance performs a review of the Agency's self-reported cash balances on an ongoing basis. Be prepared to submit financial records and bridging documents to support the cash balances reported upon request. If it is determined the Agency possesses cash balances that are available to pay approved enforceable obligations, HSC section 34177 (l) (1) (E) requires these balances to be used prior to requesting RPTTF.

On the ROPS 16-17 form, the Agency was not required to report the estimated obligations versus actual payments (prior period adjustment) associated with the July 1, 2015 through December 31, 2015 period (ROPS 15-16A). The Agency will report actual payments for ROPS 15-16A and ROPS 15-16B on the ROPS 18-19 form pursuant to HSC section 34186 (a) (1). A prior period adjustment will be applied to the Agency's future RPTTF distribution. Therefore, the Agency should retain any difference in unexpended RPTTF.

Please refer to the ROPS 16-17 schedule used to calculate the total RPTTF approved for distribution:

<http://www.dof.ca.gov/redevelopment/ROPS>

Absent a Meet and Confer, this is Finance's determination related to the enforceable obligations reported on your ROPS for the period July 1, 2016 through June 30, 2017. This determination only applies to items when funding was requested for the 12-month period. Finance's

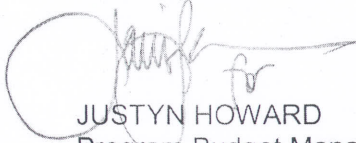
Mr. Stuart Schillinger
April 11, 2016
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determination is effective for this time period only and should not be conclusively relied upon for future ROPS periods. All items listed on a future ROPS are subject to review and may be denied even if it was not denied on this ROPS or a preceding ROPS. The only exception is for items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). Finance's review of Final and Conclusive items is limited to confirming the scheduled payments as required by the obligation.

The amount available from the RPTTF is the same as the amount of property tax increment available prior to the enactment of the redevelopment dissolution statutes. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax is limited to the amount of funding available to the Agency in the RPTTF.

Please direct inquiries to Wendy Griffe, Supervisor, or Jonathan Cox, Lead Analyst, at (916) 445-1546.

Sincerely,

A handwritten signature in black ink, appearing to read 'Justyn Howard', is written over a circular stamp. The signature is fluid and cursive.

JUSTYN HOWARD
Program Budget Manager

cc: Ms. Carolina Yuen, Financial Services Manager, City of Brisbane
Mr. Juan Raigoza, Auditor-Controller, San Mateo County

Attachment

Approved RPTTF Distribution			
For the period of July 2016 through June 2017			
	ROPS A Period	ROPS B Period	Total
Requested RPTTF (excluding administrative obligations)	\$ 1,495,585	\$ 1,198,193	\$ 2,693,778
Requested Administrative RPTTF	25,000	25,000	\$ 50,000
Total RPTTF requested for obligations on ROPS 16-17	\$ 1,520,585	\$ 1,223,193	\$ 2,743,778
RPTTF requested	1,495,585	1,198,193	2,693,778
<u>Denied Items</u>			
Item No. 5	(200,000)	0	(200,000)
Item No. 8	0	(104,057)	(104,057)
Item No. 13	(57,539)	0	(57,539)
RPTTF authorized	1,238,046	1,094,136	\$ 2,332,182
Administrative RPTTF authorized	25,000	25,000	\$ 50,000
Total RPTTF approved for distribution	1,263,046	1,119,136	\$ 2,382,182