



Cathedral City

**OVERSIGHT  
BOARD  
AGENDA  
REPORT**

**SUBJECT: Approval and Adoption of a Recognized Obligation Payment Schedule for July 2018 through June 2019 (“ROPS 18-19”)**

**DEPARTMENT: Administrative Services**

**MEETING DATE: January 22, 2018**

**SUBMITTED BY: Successor Agency**

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**RECOMMENDATION:** It is recommended that the Oversight Board:

1. Adopt the attached resolution approving the Recognized Obligation Payment Schedule for the period of July 1, 2018 through June 30, 2019 (“ROPS 18-19”) and the incorporated administrative allowance and budget.

**BACKGROUND:**

As of February 1, 2012, all redevelopment agencies throughout the State were required to dissolve as a result of the passage of ABX1-26 and the subsequent Matosantos case ruling by the California Supreme Court. On June 27, 2012, AB 1484 became law. AB 1484 amended many components of ABX1-26 and revised several operating procedures.

A complete summary of the major provisions of AB 1484 prepared by the League of California Cities was previously provided to the Board. Several lawsuits were filed relative to specific provisions contained in AB 1484. The League of California Cities filed a lawsuit on September 24, 2012, challenging the constitutionality of the sales tax and property tax clawback and other provisions of AB 1484. On December 9, 2013, the Court issued its final ruling that: (1) determined the sales and use tax offset provisions violated Article XIII, Section 24(b) of the California Constitution; (2) affirmed its original ruling denying relief as to the property tax reduction provision of Section 34179.6(h)(1)(C); and (3) affirmed its original ruling denying relief related to unconstitutional delegation and alleged underground regulations.

**Current Issue:**

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), effective July 1, 2016, ROPS are required to be prepared by successor agencies and approved by oversight boards for prospective annual periods (shown as two six-month periods) and are the budgetary documents upon which auditor-controllers distribute what was formerly tax increment to successor agencies to allow them to pay approved enforceable obligations and administrative costs during the following year. In short, auditor-controller’s deposit what would previously have been deemed tax increment if redevelopment agencies had

not dissolved into a new account, the RPTTF. Any RPTTF dollars not required to pay enforceable obligations and approved administrative costs during each six-month period (January and June disbursement dates) are to be retained and distributed by auditor-controllers to the affected taxing entities, such as schools, special districts and the like.

HSC section 34177 (o) (1) requires that the annual prospective ROPS for the period of July 1, 2018 through June 30, 2019 must be adopted by the Oversight Board and transmitted to the Department of Finance (DOF) prior to February 1, 2018. The Riverside Auditor-Controller has not yet provided estimates of available funding to successor agencies prior to the preparation of this ROPS cycle. As such, we find ourselves in the same position we were when we prepared previous ROPS', i.e., having to prepare and submit an annual ROPS without benefit of an estimate from the Riverside Auditor-Controller of the maximum RPTTF distribution to which we might be entitled.

As a reminder, AB1484 allows successor agencies to reserve funds from one RPTTF period to another if necessary to meet annualized bond debt payments. In our case, this will be necessary from the January 2019 disbursement as the required bond debt service in the July through December 2019 period of the next annual ROPS cycle will be significantly higher than that required during the January through June 2019 period. Specifically, bond payments required during the January – June 2019 ROPS cycle will be approximately \$3.88 million while these same bond payments and fiscal agent fees required during the July through December 2019 ROPS cycle will be approximately \$10.66 million. As such, the January through June 2019 ROPS cycle will include a Reserve for Bond Debt Service enforceable obligation to be funded from the RPTTF in the amount of \$1,664,536. This reservation for August bond payments will generally be required annually from January disbursements made by the County.

Now that the ROPS has changed to an annual submission, pursuant to HSC section 34177 (o) (1) (E), once per ROPS period, the agency may submit one amendment to the ROPS approved by DOF and is subject to the following:

- The amended ROPS must be approved by the OB and is due to DOF no later than October 1.
- The OB must make a finding that the revision is necessary for payment of approved enforceable obligations during the second half of the ROPS period (January 1 to June 30).
- The agency may only amend the amounts requested for payment of approved enforceable obligations.
- DOF's determination will be issued at least 15 days before the date of the property tax distribution.

Other noteworthy changes in this ROPS 18-19 from those prepared and approved for previous ROPS cycles reflects the following:

- Other Post-Employment Benefits (OPEB) was not included as a line item on the ROPS 18-19 because DOF disallowed this item beginning with ROPS 17-18. DOF's position

was that Cathedral City is the entity contracted with the California Public Employees' Retirement System, and not the former Redevelopment Agency.

- Southside sewer assessments were not included as a line item on the ROPS 18-19 because DOF disallowed this item beginning with ROPS 17-18. The 44 properties impacted by the sewer assessments were approved for transfer to the Housing Successor as part of DOF's review and approval of the Agency's Housing Asset transfer form in September 2012. As such, the liability associated with these properties is no longer considered the Successor Agency's obligation.
- In previous ROPS, the Successor Agency requested administrative costs in accordance with CRL Section 34171(b). This equated to three percent of the property tax actually allocated by the Riverside County Auditor-Controller during the previous fiscal year. As part of DOF's approval of the ROPS 17-18, they noted that although the costs were within the guidelines, they noted the amount appeared excessive given the number and nature of the other listed obligations. As a result, the administrative costs requested for ROPS 18-19 total \$177,196. This amount appears reasonable and is less than the maximum allowed by CRL Section 34171(b).

It must also be noted that AB 1484 significantly changed the ROPS approval process. Once prepared, the ROPS must be transmitted electronically to the County Administrative Officer, the County Auditor-Controller and to DOF concurrently with transmittal to the Oversight Board. Effective with ROPS 13-14B, once the ROPS is approved by the Oversight Board, it must be uploaded along with the OB Resolution to the DOF using the Redevelopment Agency Dissolution Web Application (RAD). It must also be electronically transmitted to the County Auditor-Controller and the State Controller's Office, and posted on the website. Pursuant to HSC section 34177 (o) (1) DOF has until April 15 of each year to render a decision on the submitted ROPS. If an Oversight Board desires to contest DOF's decision, it must request to "meet and confer" within five business days of receiving notification of DOF's decision. The "meet and confer" is to occur within a 30-day period. DOF shall notify the successor agency and the county auditor-controller as to the outcome of its review at least 15 days before the date of the first property tax distribution for that period.

**Fiscal Impact:** If adopted, the 18-19 ROPS will authorize payments of \$16,592,358 of enforceable obligations (excluding the administrative cost allowance) during this time period, of which \$14,018,580 will be funded from the RPTTF, with the balance funded from bond proceeds or other (which includes rental income, interest, etc.). It will also approve an administrative budget totaling \$177,196, which is less than the maximum allowed by law. The administrative budget will also be funded from the RPTTF.

**ATTACHMENTS:** Attachment One: Resolution  
Attachment Two: ROPS 18-19