



# COUNTY OF SAN DIEGO

## COUNTYWIDE REDEVELOPMENT SUCCESSOR AGENCY OVERSIGHT BOARD

### AGENDA ITEM

### COUNTYWIDE REDEVELOPMENT SUCCESSOR AGENCY OVERSIGHT BOARD

MARK BAKER

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DONALD STEUER

**DATE:** January 16, 2020

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**TO:** Countywide Redevelopment Successor Agency Oversight Board

**SUBJECT:** APPROVAL OF RECOGNIZED OBLIGATION PAYMENT SCHEDULE AND ADMINISTRATIVE BUDGET FOR THE SUCCESSOR AGENCY TO THE CITY OF ESCONDIDO FOR JULY 1, 2020 - JUNE 30, 2021 (ROPS 20-21)

#### **SUMMARY:**

##### **Overview**

Pursuant to redevelopment agency dissolution law, successor agencies must submit their annual Recognized Obligation Payment Schedules (ROPS) and administrative budgets to their countywide oversight boards for review and approval. Once the ROPS is approved by the oversight board, the successor agency submits the ROPS to the State Department of Finance (DOF) for final review and funding authorization. Administrative budgets do not require further review by DOF.

Today's action requests approval of the ROPS for July 1, 2020 - June 30, 2021 (ROPS 20-21) and the related administrative budget for the same period. Total enforceable obligations of \$7,878,660 are eligible to be funded, including an administrative budget of \$250,000.

##### **Recommendation(s)**

1. Adopt the resolution entitled, A RESOLUTION OF THE SAN DIEGO COUNTYWIDE REDEVELOPMENT SUCCESSOR AGENCY OVERSIGHT BOARD RELATED TO THE RECOGNIZED OBLIGATION PAYMENT SCHEDULE AND ADMINISTRATIVE BUDGET FOR THE SUCCESSOR AGENCY TO THE CITY OF ESCONDIDO FOR THE PERIOD OF JULY 1, 2020 – JUNE 30, 2021
2. Authorize staff to make non-substantive changes to the Recognized Obligation Payment Schedule to meet the Department of Finance formatting and submittal requirements and, subject to approval of Oversight Board counsel, to make changes

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needed to comply with new legislation, any administrative direction from the Department of Finance, or court decisions.

**Fiscal Impact**

Funding of the obligations listed in the ROPS and the expenses listed in the administrative budget will be subject to approval by the State of California Department of Finance, and dependent upon the availability of sufficient redevelopment property tax revenues, as determined by the County’s Auditor & Controller.

**BACKGROUND:**

The Recognized Obligation Payment Schedule for July 2020 through June 2021 (ROPS 20-21) lists three enforceable obligations of the Redevelopment Agency. The total funding requested for FY 2020-21 is equal to \$7,878,660:

Item #	Description	Total Outstanding Debt or Obligation	Funding Requested FY2020-21
7	Loan Repayment to the Traffic Impact Fund	\$953,953	\$150,000
29	Reinstatement of loans to the General Fund	10,221,612	7,478,660
10	City Administrative Costs	250,000	250,000
		<i>\$11,375,565</i>	<i>\$7,878,660</i>

ROPS 20-21 Item #7 – Loan Repayment to Traffic Impact Fund: \$150,000:

By Escondido Community Development Commission (“CDC”) Resolution 1985-07, the Traffic Impact Fund loaned the Redevelopment Agency \$200,000 for certain Nordahl Bridge improvements. On December 18, 2012, this Loan was recognized by the Department of Finance to be an enforceable obligation of the Successor Agency.

With the repayment of the 2007A and 2007B Lease Revenue bonds on September 1, 2018, sufficient funds became available to repay the Traffic Impact Loan balance of \$953,953. The City requested and was approved to repay this loan using “Other Funds” held by the Successor Agency on ROPS 19-20 under City Council Resolution No. 2018-186 and County OB Resolution No. OB-2019-005.

With the approval of the Traffic Impact Fund loan balance, the remaining enforceable obligation held by the Successor Agency is the Reinstatement of Loans to the General Fund. Based on the repayment terms of AB 1484 and SB 107, the obligation is projected to be paid in full by FY 2021/22. Dissolution of the Successor Agency would result in additional annual property tax revenue to the City of approximately \$1.3 million annually.

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After the ROPS 19-20 had been approved and submitted to the Department of Finance, the School Districts contacted the County OB to voice their concerns regarding the requested repayment of the Traffic Impact loan given their claim to an anticipated revenue stream derived from a settlement of claims in 2009 (the “2009 Settlement Agreement” or “Agreement”). This 2009 Settlement Agreement was entered into among the CDC, the City of Escondido, the Escondido Union School District, the Escondido Union High School District, and San Diego County Superintendent of Schools. It was intended to resolve a dispute between these parties regarding the previously anticipated tax revenue payments to the School Districts. To resolve the dispute between the parties, the 2009 Settlement Agreement adjusted the formulas and manner in which the School Districts were to receive tax increment revenue from the CDC. This Agreement projected that the School Districts would receive tax-sharing payments from the CDC until Fiscal Year 2035/36. This date was based on tax increment projections which estimated when the CDC would be able to pay off all debt owed by it which, in 2009, included Community Development Commission Bonds, the Traffic Impact Loan, Housing Set Aside Loan, and the City Loan to the General Fund.

The School Districts contend that the Successor Agency's payment in full of the Traffic Impact Loan would result in an early termination of the School Districts' pass-through payments that were “promised” through Fiscal Year 2035/36 under the Agreement. The payment in full of the Traffic Loan required by the Department of Finance would have the unintended consequence of immediately changing the end date of School District pass-through payments from FY 2035/36 to FY 2022/23, reducing the tax revenue that the School Districts would receive under the 2009 Settlement Agreement. At this time, the School Districts continue to receive contractual pass-through payments from the County Auditor-Controller based on the 2009 Settlement Agreement.

To allow time for both the City and the School Districts to find a long-term solution to this issue, the Successor Agency agreed to submit an amended ROPS 19-20 to the Department of Finance making the minimum repayment due to the Traffic Loan Fund (\$50,000) rather than the full \$953,953 payment. On August 15, 2019, the County OB approved the amendment to the ROPS 19-20. On November 13, 2019, the Department of Finance published their determination letter on the requested ROPS 19-20 Amendment. According to the Department of Finance, under Health and Safety Code Section 34177(o)(1)(E), the request for a ROPS amendment must be to make a “necessary payment” on an approved enforceable obligation. Since the Successor Agency's request was to reduce an approved payment amount using “Other Funds” held by the Successor Agency, the Department of Finance determined that the request was not necessary for the payment of the obligation and the requested amendment was not approved.

After reviewing the determination letter from the Department of Finance and analyzing the available funds held by the Successor Agency, City staff are proposing to move forward with the \$50,000 loan repayment as listed in the Amended ROPS 19-20 schedule and delay the full repayment of the Traffic Impact Loan. Listed in ROPS 20-21 is a request for payment of \$150,000, which will result in an ending loan balance of \$990,639 including accrued interest. This will allow City staff to continue to work with the School Districts on a solution for the distribution of tax increment revenue to both entities.

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ROPS 20-21 Item #29 – Reinstatement of loans made by the City to the former RDA: \$7,478,660:

The City of Escondido and the Redevelopment Agency entered into a Cooperation Agreement in 1988 that authorized the advance of monies for Civic Center projects and other redevelopment projects outside the Civic Center. This 1988 Cooperation Agreement provided a repayment schedule to the City from future tax increment, and provided for a specific interest rate formula that was tied to the City's cost of funds. The repayment schedule provided that any balances remaining unpaid rolled over to the next year. The City and the Redevelopment Agency have operated under the terms of this Cooperation Agreement since its adoption and have maintained ongoing information on annual reports regarding the balances due and payable. The outstanding principal balance at the time of the dissolution of Redevelopment was \$9,832,652.

On January 24, 2017, the Oversight Board approved Resolution No. OB 2017-02 to find that the City Loans were for legitimate redevelopment purposes that meet the definition of a loan eligible for reinstatement pursuant to Health and Safety Code Section 34191.4(b)(2)(A) and approved the agreement to reinstate the City Loans made to the former Redevelopment Agency. On April 26, 2017, the Department of Finance approved the action taken by the Oversight Board and found that the City loans were for legitimate redevelopment purposes and eligible for reinstatement.

As a result of the reinstatement, the loan obligation of \$17,682,611 was placed on ROPS 18-19. The outstanding balance included \$9,832,652 of principal. In addition, in accordance with Health and Safety Code 34191.4(b)(3)(A), interest on the remaining principal of the loan was recalculated at a simple interest rate of three percent from the date of the origination of the loan. This resulted in interest outstanding of \$7,849,959. ROPS 18-19 approved a payment for \$4,645,228 and ROPS 19-20 approved a payment of \$3,322,326 leaving a remaining balance of \$10,221,612 at June 30, 2020 that includes principal and accrued interest.

The annual repayment amount is calculated pursuant to Health and Safety Code Section 34191.4(b)(3)(A) which requires repayment to be equal to one-half of the increase between the ROPS residual pass-through distributed to the taxing entities in the preceding fiscal year and the ROPS residual pass-through distributed to the taxing entities in the Fiscal Year 2012-13 base year. For the Successor Agency, the ROPS residual pass-through amounts for Fiscal Year 2012-13 and 2019-20 are zero and \$14,957,320, respectively. Therefore, \$7,478,660 is the repayment authorized for FY 2020-21.

ROPS 20-21 Item #10 – Administrative Costs: \$250,000:

Health and Safety Code Section 34171 allows for an administrative cost allowance to be paid by a successor agency from the Redevelopment Property Tax Trust Fund in a fiscal year. The administrative cost allowance is limited to 3 percent of the actual property tax distributed to the successor agency in the preceding fiscal year for payment of approved enforceable obligations, reduced by the successor agency's administrative cost allowance and loan repayments made to the city pursuant to Section 34191.4(b) during the preceding fiscal year, subject to a minimum of \$250,000, unless such amount is reduced by the Oversight Board or by agreement between the successor agency and the Department of Finance.

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Under the formula described above, the allowable administrative budget for ROPS 2020-21 is \$250,000. Administrative costs are comprised of staff time from the Finance Department, the City Attorney's Office, Housing Staff, and Support Services. City staff are responsible for various activities including but not limited to: the preparation of the annual Recognized Obligation Payment Schedules, administering approved debt repayments of the Successor Agency, performing annual interest calculations and journal entries per approved repayment agreements, administering an independent annual financial statement audit and report, disposing of the former Redevelopment Agency's assets, administering the Agency's Real Property Management Plan, and communicating and meeting with tax sharing entities including the School Districts.

The Escondido City Council approved ROPS 20-21 by Resolution No. 2019-179 on December 18, 2019.

Respectfully submitted,



BRIAN M. HAGERTY  
Finance Director, HHSA - FSSD

**ATTACHMENT(S)**

A - Resolution No. OB-2020-\_\_\_\_

B – SUCCESSOR AGENCY TO THE CITY OF ESCONDIDO ROPS 20-21

C – SUCCESSOR AGENCY TO THE CITY OF ESCONDIDO Administrative Budget Detail]

**SUBJECT:** APPROVAL OF RECOGNIZED OBLIGATION PAYMENT SCHEDULE AND ADMINISTRATIVE BUDGET FOR THE SUCCESSOR AGENCY TO THE CITY OF ESCONDIDO FOR JULY 1, 2020 - JUNE 30, 2021 (ROPS 20-21)

**AGENDA ITEM INFORMATION SHEET**

**PREVIOUS RELEVANT BOARD ACTIONS:**

N/A

**MANDATORY COMPLIANCE:**

N/A

**CONTACT PERSON(S):**

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Resolution No. OB-2020-005

Meeting Date: January 16, 2020

A RESOLUTION OF THE SAN DIEGO COUNTYWIDE  
REDEVELOPMENT SUCCESSOR AGENCY OVERSIGHT BOARD  
APPROVING THE RECOGNIZED OBLIGATION PAYMENT  
SCHEDULE AND ADMINISTRATIVE BUDGET FOR THE  
SUCCESSOR AGENCY TO THE CITY OF ESCONDIDO FOR THE  
PERIOD OF JULY 1, 2020 - JUNE 30, 2021

WHEREAS, the Successor Agency to the City of Escondido prepared the recognized obligation payment schedule for the period of July 1, 2020 through June 30, 2021 (ROPS 20-21) pursuant to Health and Safety Code section 34177(l); and

WHEREAS, pursuant to Health and Safety Code section 34171(h), the recognized obligation payment schedule lists the minimum amounts and due dates of payments to be made by the Successor Agency as required by enforceable obligations during the twelve-month period covered by the recognized obligation payment schedule; and

WHEREAS, pursuant to Health and Safety Code section 34177(o), the ROPS 20-21 must be approved by the San Diego Countywide Redevelopment Successor Agency Oversight Board and submitted to the State Department of Finance and County Auditor-Controller no later than February 1, 2020; and

WHEREAS, the Successor Agency to the City of Escondido prepared the proposed administrative budget for July 1, 2020 through June 30, 2021, pursuant to Health and Safety Code section 34177(j); and

WHEREAS, pursuant to Health and Safety Code section 34177(j), the Successor Agency to the City of Escondido submitted the proposed administrative budget to the Oversight Board for its approval.

NOW, THEREFORE, IT IS HEREBY RESOLVED that the ROPS 20-21 is approved.

IT IS FURTHER RESOLVED that the approved ROPS 20-21 shall be submitted to the State Department of Finance and County Auditor-Controller no later than February 1, 2020.

Resolution No. OB-2020-005

Meeting Date: January 16, 2020

IT IS FURTHER RESOLVED that Successor Agency staff may make non-substantive changes to the ROPS 20-21, and, subject to approval of Oversight Board Counsel, make changes needed to comply with new legislation, any administrative direction from the Department of Finance, or court decisions.

IT IS FURTHER RESOLVED that the administrative budget is approved.

Approved as to Form and Legality  
By George H. Eiser III, Oversight Board Counsel

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Chair, Oversight Board



**Recognized Obligation Payment Schedule (ROPS 20-21) - Summary**  
**Filed for the July 1, 2020 through June 30, 2021 Period**

**Successor Agency:** Escondido  
**County:** San Diego

<b>Current Period Requested Funding for Enforceable Obligations (ROPS Detail)</b>	<b>20-21A Total (July - December)</b>	<b>20-21B Total (January - June)</b>	<b>ROPS 20-21 Total</b>
<b>A Enforceable Obligations Funded as Follows (B+C+D)</b>	<b>\$ 1,066,000</b>	<b>\$ -</b>	<b>\$ 1,066,000</b>
B Bond Proceeds	-	-	-
C Reserve Balance	16,000	-	16,000
D Other Funds	1,050,000	-	1,050,000
<b>E Redevelopment Property Tax Trust Fund (RPTTF) (F+G)</b>	<b>\$ 6,537,660</b>	<b>\$ 275,000</b>	<b>\$ 6,812,660</b>
F RPTTF	6,412,660	150,000	6,562,660
G Administrative RPTTF	125,000	125,000	250,000
<b>H Current Period Enforceable Obligations (A+E)</b>	<b>\$ 7,603,660</b>	<b>\$ 275,000</b>	<b>\$ 7,878,660</b>

**Certification of Oversight Board Chairman:**

Pursuant to Section 34177 (o) of the Health and Safety code, I hereby certify that the above is a true and accurate Recognized Obligation Payment Schedule for the above named successor agency.

\_\_\_\_\_  
Name Title

/s/ \_\_\_\_\_  
Signature Date

**Escondido**  
**Recognized Obligation Payment Schedule (ROPS 20-21) - ROPS Detail**  
**July 1, 2020 through June 30, 2021**

A	B	C	D	E	F	G	I	J	K	M	N	O	P	Q	S	T	U	V	W
Item #	Project Name	Obligation Type	Agreement Execution Date	Agreement Termination Date	Payee	Description	Total Outstanding Obligation	Retired	ROPS 20-21 Total	ROPS 20-21A (Jul - Dec)				20-21A Total	ROPS 20-21B (Jan - Jun)				20-21B Total
										Fund Sources					Fund Sources				
										Reserve Balance	Other Funds	RPTTF	Admin RPTTF		Reserve Balance	Other Funds	RPTTF	Admin RPTTF	
							\$11,375,565		\$7,878,660	\$16,000	\$1,050,000	\$6,412,660	\$125,000	\$7,603,660	\$-	\$-	\$150,000	\$125,000	\$275,000
2	2007A Lease Revenue Bonds	Revenue Bonds Issued On or Before 12/31/10	01/25/2007	09/01/2018	Bank of New York	Bond Payment	-	Y	\$-	-	-	-	-	\$-	-	-	-	-	\$-
3	2007B Lease Revenue Bonds	Revenue Bonds Issued On or Before 12/31/10	01/25/2007	09/01/2018	Bank of New York	Bond Payment	-	Y	\$-	-	-	-	-	\$-	-	-	-	-	\$-
4	Bond Expense	Fees	01/10/1992	09/01/2018	Bank of New York	Bond Trustee Admin Fees	-	Y	\$-	-	-	-	-	\$-	-	-	-	-	\$-
5	Bond Debt Obligation Reserve	Reserves	01/25/2007	09/01/2018	Bank of New York	Payment per AB 1484, Section 34171(d)(1)(A)	-	Y	\$-	-	-	-	-	\$-	-	-	-	-	\$-
6	Loan Repayment to General Fund	City/County Loan (Prior 06/28/11), Other	08/15/1994	12/31/2035	City of Escondido	Program Administration-to assist in the implementation of the Redevelopment Plan	-	Y	\$-	-	-	-	-	\$-	-	-	-	-	\$-
7	Loan Repayment to Traffic Impact Fund	City/County Loan (Prior 06/28/11), Other	08/15/1994	12/31/2035	City of Escondido	Capital Improvement-Nordahl bridge improvements	903,953	N	\$150,000	-	-	-	-	\$-	-	-	150,000	-	\$150,000
10	Employee Costs-Admin. Fee	Admin Costs	07/01/2011	06/30/2021	Employees of City of Escondido	Administration	250,000	N	\$250,000	-	-	-	125,000	\$125,000	-	-	-	125,000	\$125,000
26	Loan Repayment to General Fund	Miscellaneous	08/15/1994	12/31/2035	City of Escondido	Program Administration	-	Y	\$-	-	-	-	-	\$-	-	-	-	-	\$-
29	Reinstatement of loans made by the City to the former RDA	City/County Loan (Prior 06/28/11), Cash exchange	04/26/2017	06/30/2023	City of Escondido	Repayment of loans made to former RDA by the City of Escondido	10,221,612	N	\$7,478,660	16,000	1,050,000	6,412,660	-	\$7,478,660	-	-	-	-	\$-

**Escondido**  
**Recognized Obligation Payment Schedule (ROPS 20-21) - Report of Cash Balances**  
**July 1, 2017 through June 30, 2018**  
(Report Amounts in Whole Dollars)

Pursuant to Health and Safety Code section 34177 (l), Redevelopment Property Tax Trust Fund (RPTTF) may be listed as a source of payment on the ROPS, but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation.								
A	B	C	D	E	F	G	H	
	ROPS 17-18 Cash Balances (07/01/17 - 06/30/18)	Fund Sources				Comments		
		Bond Proceeds		Reserve Balance	Other Funds			RPTTF
		Bonds issued on or before 12/31/10	Bonds issued on or after 01/01/11	Prior ROPS RPTTF and Reserve Balances retained for future period(s)	Rent, grants, interest, etc.			Non-Admin and Admin
1	<b>Beginning Available Cash Balance (Actual 07/01/17)</b> RPTTF amount should exclude "A" period distribution amount.			111,002	1,580,238			
2	<b>Revenue/Income (Actual 06/30/18)</b> RPTTF amount should tie to the ROPS 17-18 total distribution from the County Auditor-Controller				1,033,432	7,148,700	Income includes Settlement payment from Palomar College of \$925,000, Housing Loan Repayments of \$12,500, and interest of \$95,932	
3	<b>Expenditures for ROPS 17-18 Enforceable Obligations (Actual 06/30/18)</b>				509,216	7,135,811	Per ROPS17-18 DOF determination letter, \$509,216 was reclassified as Other Funds	
4	<b>Retention of Available Cash Balance (Actual 06/30/18)</b> RPTTF amount retained should only include the amounts distributed as reserve for future period(s)			111,002			Available cash balance is used to pay enforceable obligations on ROPS19-20A see DOF Determination Letter	
5	<b>ROPS 17-18 RPTTF Prior Period Adjustment</b> RPTTF amount should tie to the Agency's ROPS 17-18 PPA form submitted to the CAC			No entry required		12,889	Bond expense and Administrative cost savings in fiscal year 2017-2018	
6	<b>Ending Actual Available Cash Balance (06/30/18)</b> C to F = (1 + 2 - 3 - 4), G = (1 + 2 - 3 - 4 - 5)	\$-	\$-	\$-	\$2,104,454	\$-	<b>Per ROPS18-19 DOF Determination Letter; \$1,035,247 of available cash balance is</b>	

							<b>used to pay enforceable obligations</b>
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**Escondido**  
**Recognized Obligation Payment Schedule (ROPS 20-21) - Notes**  
**July 1, 2020 through June 30, 2021**

Item #	Notes/Comments
2	Obligation was paid in full on ROPS18-19
3	Obligation was paid in full on ROPS18-19
4	Obligation was paid in full on ROPS18-19
5	Obligation was paid in full on ROPS18-19
6	
7	
10	
26	
29	