

City of Brisbane

Agenda Report

To: City Council

From: Betsy Cooper, Deputy Finance Director,

Subject: Loan to Successor Agency ROPS 14/15B

Date: January 15, 2014

Purpose:

Ensure the Successor Agency has enough money to pay debt service while protecting the City's financial position.

Recommendation:

Adopt Resolution 2015-03 approving a loan to the Successor Agency of the Redevelopment Agency of the city of Brisbane in order to provide funding to cover the Successor Agency's 14-15B ROPS obligations.

Background:

The process for winding down the former Redevelopment Agency requires us to submit a ROPS twice a year for the amounts that will be required for our enforceable obligations. The timing is such that we are submitting in advance while reconciling a year back. We submit the Recognized Obligation Payment Schedule (ROPS) to the Department of Finance (DOF) for approval.

Discussion:


September 18, 2014, the City of Brisbane as Successor Agency approved the 14/15B ROPS that will cover the obligations from January 1, 2015 to June 30, 2015. After Oversight Board approval, we submitted the ROPS to DOF through their electronic system. In October, the week before our audit field work, DOF reviewed our ROPS and noted that we had remaining cash on hand due to the refinancing of the 2001 series A bonds and it should be applied to the 14/15B ROPS. However, this amount was already applied to the 14/15A ROPS.


Upon agreement, DOF issued their letter dated November 13, 2014 (attached) applying \$373,998 from Cash Balances and also \$453,099 from ROPS 13-14B prior period adjustment. We had 5 days from the date of the letter to request a meet and confer. We did not catch the double counting of the savings due to the fact this letter was received during the week the auditors were doing their field work.

When the county called to confirm the amount, staff took another look and realized that we do not have enough cash to pay the debt service for January – June 2015. Working with DOF, they suggested that we request a loan from the City, which they will approve and that will go on the 15-16A ROPS as

an enforceable obligation. We need to ensure that the resolution states the specific ROPS item and that the loan is to be paid back on the 15-16A ROPS.

Staff calculates that we will need \$376,483.76 to cover the 14/15B ROPS. Since the purpose of the original bond issue was to pay for the construction of the Marina staff recommends the loan be made by the Marina Fund.


Betsy Cooper
Deputy Finance Director


Clay Holstine
City Manager

Successor Agency Cash Reconciliation

ROPS Jul-Dec 2012 Actuals

Beginning Available Cash Balance (07/01/12)	3,826,586.00
LMIH returned to County	(2,831,019.00)
Revenue/Income (Actual 12/31/12)	0.00
Expenditures for ROPS (Actual 12/31/12)	(984,653.38)
Retention of Available Cash Balance Actual 12/31/12)	
ROPS Prior Period Adjustment	
Ending Actual Available Cash Balance	10,913.62

ROPS Jan-Jun 2013 Actuals

Beginning Available Cash Balance (01/01/13)	10,913.62
Revenue/Income (Actual 6/30/13)	2,833,076.00
Expenditures for ROPS (Actual 6/30/13)	(1,823,325.93)
Waterfall to City entered in wrong account	158,468.79
correction to 2005A debt service from Utility	10,337.07
Retention of Available Cash Balance Actual (6/30/13)	
ROPS Prior Period Adjustment	
Admin not paid	65,045.79
Clean up amount for 2001A debt service	207,732.00
Ending Actual Available Cash Balance (6/30/13)	1,462,247.34

ROPS 13-14A Actuals

Beginning Available Cash Balance (07/01/13)	1,462,247.34
Revenue/Income (Actual 12/31/13)	0.00
Expenditures for ROPS (Actual 12/31/13)	(1,004,665.36)
Continuing disclosure due to city	1,669.65
Waterfall to City	(158,468.79)
Admin due to City	155,893.69
2005A Debt service due to City	17,905.71
Retention of Available Cash Balance Actual	
ROPS Prior Period Adjustment	
Ending Actual Available Cash Balance (12/31/13)	474,582.24

ROPS 13-14B Actuals

Beginning Available Cash Balance (07/01/13)	474,582.24
Revenue/Income (Actual 6/30/14)	2,364,546.12
Expenditures for ROPS (Actual 12/31/13)	(1,128,482.91)
Admin to city	(250,851.91)
Retention of Available Cash Balance Actual	(346.18)
ROPS Prior Period Adjustment	
Ending Actual Available Cash Balance	1,459,447.36

ROPS 14-15A Actuals

Beginning Available Cash Balance (07/01/14)	1,459,447.36
Revenue/Income (Actual 12/1/14)	0.00
Expenditures for ROPS (Actual 12/01/14)	(1,007,696.18)

Due from city for Admin	(1,137.94)
Retention of Available Cash Balance	
ROPS Prior Period Adjustment	
Ending Actual Available Cash Balance	450,613.24

ROPS 14-15B Required

Beginning Available Cash Balance (01/1/15)	450,613.24
Revenue/Income (Estimated 12/1/14)	378,133.00
Expenditures for ROPS (Estimated 12/01/14)	(1,205,230.00)
Retention of Available Cash Balance	
ROPS Prior Period Adjustment	
Ending Cash Balance	(376,483.76)



November 13, 2014

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

Dear Mr. Schillinger:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Brisbane Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15B) to the California Department of Finance (Finance) on September 30, 2014 for the period of January 1 through June 30, 2015. Finance has completed its review of your ROPS 14-15B, which may have included obtaining clarification for various items.

Based on our review, we are approving all of the items listed on your ROPS 14-15B at this time.

The administrative costs claimed are within the fiscal year administrative cap pursuant to HSC section 34171 (b). However, Finance notes the oversight board has approved an amount that appears excessive, given the number and nature of the obligations listed on the ROPS. HSC section 34179 (i) requires the oversight board to exercise a fiduciary duty to the taxing entities. Therefore, Finance encourages the oversight board to apply adequate oversight when evaluating the administrative resources required to successfully wind-down the Agency.

During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should be used prior to requesting Redevelopment Property Tax Trust Fund (RPTTF). Pursuant to HSC section 34177 (l) (1) (E), RPTTF may be used as a funding source, but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation. The Agency provided financial records that displayed \$373,998 in Other Funds as available for ROPS 14-15B expenditures.

Therefore, with the Agency's concurrence, the funding source for the following item has been reclassified to Other Funds and in the amount specified below:

Item No. 17 – 2013 Tax Allocation Bond (TAB) Refunding 1998 TAB & 2001 TAB in the amount of \$373,998. The Agency requests \$879,512 of RPTTF; however, Finance is reclassifying \$373,998 to Other Funds. This item is an enforceable obligation for the ROPS 14-15B period. Therefore, Finance is approving RPTTF in the amount of \$523,514 and the use of Other Funds in the amount of \$373,998, totaling \$879,512.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 14-15B form the estimated obligations and actual payments (prior period adjustments) associated with the January through June 2014 period. HSC section 34186 (a) also specifies prior period adjustments self-reported by successor agencies are subject to audit by the county auditor-controller (CAC) and the State Controller. The amount of RPTTF approved in the table below includes the prior period adjustment resulting from the CAC's review of the Agency's self-reported prior period adjustment.

Except for the item that has been reclassified, Finance is not objecting to the remaining items listed on your ROPS 14-15B. If you disagree with the determination with respect to any items on your ROPS 14-15B, 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 \$378,133 as summarized in the Approved RPTTF Distribution Table below:

Approved RPTTF Distribution For the period of January through June 2015	
Total RPTTF requested for non-administrative obligations	1,080,230
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations on ROPS	\$ 1,205,230
Total RPTTF requested for non-administrative obligations	1,080,230
Total RPTTF for non-administrative obligations	1,080,230
Cash Balances - Item reclassified to Other Funds Item No. 17	(373,998)
Total RPTTF authorized for non-administrative obligations	\$ 706,232
Total RPTTF requested for administrative obligations	125,000
Total RPTTF authorized for administrative obligations	\$ 125,000
Total RPTTF authorized for obligations	\$ 831,232
ROPS 13-14B prior period adjustment	(453,099)
Total RPTTF approved for distribution	\$ 378,133

Please refer to the ROPS 14-15B schedule that was used to calculate the approved RPTTF amount:

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

Absent a Meet and Confer, this is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2015. This determination only applies to items where funding was requested for the six-month period. Finance's determination is effective for this time period only and should not be conclusively relied upon for future periods. All items listed on a future ROPS are subject to a subsequent review and may be denied even if it was or was not denied on this ROPS or a preceding ROPS. The only

Mr. Stuart Schillinger
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exception is for those items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). Finance's review of items that have received a Final and Conclusive determination 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 that was available prior to the enactment of ABx1 26 and AB 1484. This amount is not and never was an unlimited funding source. 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.

Pursuant to HSC section 34177 (a) (3), only those payments listed on an approved ROPS may be made by the successor agency from the funds specified in the ROPS. However, if for whatever reason the Agency needs to make payments for approved obligations from another funding source, HSC section 34177 (a) (4) requires the Agency to first obtain oversight board approval.

To the extent proceeds from bonds issued after December 31, 2010 exist and are not encumbered by an enforceable obligation pursuant to HSC section 34171 (d), HSC section 34191.4 (c) (2) (B) requires these proceeds be used to defease the bonds or to purchase those same outstanding bonds on the open market for cancellation.

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

Sincerely,



JUSTYN HOWARD
Acting Program Budget Manager

cc: Ms. Betsy Cooper, Deputy Finance Director, City of Brisbane
Mr. Bob Adler, Auditor-Controller, County of San Mateo
California State Controller's Office

RESOLUTION 2015-03

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF BRISBANE APPROVING A LOAN TO THE SUCCESSOR AGENCY OF THE REDEVELOPMENT AGENCY OF THE CITY OF BRISBANE IN ORDER TO PROVIDE FUNDING TO COVER THE SUCCESSOR AGENCY'S 14-15B RECOGNIZED OBLIGATION PAYMENT SCHEDULE (ROPS) OBLIGATIONS

WHEREAS, as part of the process for winding down the former Redevelopment Agency of the City of Brisbane, the Successor Agency of the Redevelopment Agency of the City of Brisbane ("Successor Agency") is required to submit to the State Department of Finance ("DOF") a Recognized Obligation Payment Schedule ("ROPS") twice annually so that the Successor Agency may pay its enforceable obligations; and

WHEREAS, in September 2014, the Successor Agency and the Oversight Board of the Successor Agency of the Redevelopment Agency of the City of Brisbane ("Oversight Board") approved the 14/15B ROPS to cover the Successor Agency's obligations from January 1, 2015 through June 30, 2015; and

WHEREAS, after the 14/15B ROPS was submitted to the DOF, it was discovered due to an accounting error that there would not be adequate funds in the 14/15B ROPS to pay the Successor Agency's debt service for the January-June 2015 time period; and

WHEREAS, the DOF has suggested that the City of Brisbane ("City") provide a short term loan to the Successor Agency in the amount of \$376,483.76 to cover the 14/15B ROPS obligations, which loan would then appear on the Successor Agency's 15-16A ROPS and be repaid to the City when that ROPS is approved by the DOF; and

WHEREAS, there are adequate funds in the City's Marina Fund to provide this loan and the loan proceeds will pay the debt service on the bond issue for the Marina.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of the City of Brisbane as follows:

1. The City Council approves a loan from the City's Marina Fund to the Successor Agency in the amount of \$376,483.76 in order to cover the Successor Agency's 14/15B ROPS obligations, which loan shall appear on the Successor Agency's 15/16A ROPS, to be repaid to the City after the 15/16A ROPS is approved by the DOF.
2. This Resolution shall be effective immediately upon its adoption.

Terry O'Connell, Mayor

ADOPTED on January 15, 2015 by the Brisbane City Council with the following vote:

AYES:

NOES:

ABSENT:

Sheri Marie Spediacci, City Clerk