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Staff Report for Resolution of the City Council of the City of San Leandro Acting in its Capacity as the Successor Agency to the Redevelopment Agency of the City of San Leandro Approving the Recognized Obligation Payment Schedule for Enforceable Obligations of the Former Redevelopment Agency Pursuant to Health and Safety Code Section 34177

RECOMMENDATIONS

Staff recommends that the City Council, acting as the Successor Agency for the San Leandro Redevelopment Agency, adopt a Resolution approving a Recognized Obligation Payment Schedule.

BACKGROUND

On January 9, 2012, the City Council affirmed its decision to serve as the Successor Agency for the former Redevelopment Agency and to retain the Agency's housing assets and functions. Under AB 1x 26, the Redevelopment Dissolution Bill, the City, acting as the Successor Agency, is obligated to prepare a draft of the Recognized Obligation Payment Schedule ("ROPS") and submit that draft to the County Auditor-Controller by April 15, 2012 for certification. Approval of the ROPS by the Oversight Board is also required. The City, as Successor Agency, can only pay obligations that are listed on the ROPS. Until the ROPS is certified and approved, the City can pay obligations that are listed on the Enforceable Obligation Payment Schedule ("EOPS"). The Agency Board most recently amended the EOPS on January 23, 2012.

Analysis

A primary component of the City's responsibilities in its capacity as the Successor Agency is to oversee the payment of Enforceable Obligations. Enforceable Obligations are defined as:

- Bonds including debt service reserve set asides and any other required payments;

- Loans borrowed by the agency;
- Payments required by the federal or state governments;
- Pension and unemployment payments for Agency employees;
- Judgments, settlements or binding arbitration decisions; and
- Any legally binding and enforceable contract that does not violate the debt limit or public policy.

The obligations listed on the ROPS are generally consistent with those that were outlined in the most recent amendment to the EOPS. Pursuant to Health and Safety Code section 34177, the ROPS must also note the source of funds that will be used for payment. Most obligations listed on the current ROPS will be paid using the existing fund balance of the former Redevelopment Agency. Any additional required funding will be remitted to the City by the County Auditor-Controller using former tax increment revenues from the Redevelopment Property Tax Trust Fund. The City will be required to prepare a new ROPS for each six-month period in the future. Cash on-hand from the former San Leandro Redevelopment Agency will be depleted around the end of the current fiscal year and all future obligations will be paid using funding from the Redevelopment Property Tax Trust Fund.

The ROPS also contains an administrative budget for the Successor Agency. The amount of the administrative allowance for Fiscal Year 2011-12 is the greater of 5% of funds received from the Redevelopment Property Tax Trust Fund or \$250,000, annually. For San Leandro, the \$250,000 minimum allowance is expected to apply, although it is not clear how the County Auditor-Controller might prorate the allowance due to the delayed implementation of redevelopment's dissolution resulting from the legal challenges and subsequent California Supreme Court decision.

AB 1x 26 does not explicitly require City Council action prior to presentation of the ROPS to the Oversight Board. However, staff seeks City Council approval prior to submitting this and all future versions of the ROPS.

Previous Actions

- On January 9, 2012, the City Council affirmed its decision to serve as the Successor Agency for the former Redevelopment Agency and to retain the Agency's housing assets and functions.
- On January 23, 2012, the Board of the Redevelopment Agency approved the amended EOPS.

Fiscal Impacts

As noted above, payment of the Enforceable Obligations listed on the ROPS will be funded primarily by the existing fund balances of the former San Leandro Redevelopment Agency for the initial period running through June 30, 2012. To the extent that the fund balance is inadequate to cover all obligations, the payments will be made using funds disbursed by the County Auditor-Controller using former tax increment revenues from the Redevelopment Property Tax Trust Fund. Staff does not believe that the General Fund (or any other City fund) bears any responsibility for the payment of enforceable obligations of the former Redevelopment Agency.

ATTACHMENTS

None

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