



City of Costa Mesa

Agenda Report

77 Fair Drive
Costa Mesa, CA 92626

File #: 21-539

Meeting Date: 1/18/2022

TITLE:

ADOPT RESOLUTION APPROVING RECOGNIZED OBLIGATION PAYMENT SCHEDULE FOR FISCAL YEAR 2020-2021 FOR THE PERIOD OF JULY 1, 2022 TO JUNE 30, 2023

DEPARTMENT: FINANCE DEPARTMENT

PRESENTED BY: CAROL MOLINA, FINANCE DIRECTOR

CONTACT INFORMATION: CAROL MOLINA, FINANCE DIRECTOR, (714) 754-5243

RECOMMENDATION:

Adopt Successor Agency Resolution No. 2022-xx approving the Recognized Obligation Payment Schedule for Fiscal Year 2022-23 for the period of July 1, 2022 to June 30, 2023.

BACKGROUND:

As of February 1, 2012, all California redevelopment agencies were dissolved. The Successor Agency to the Costa Mesa Redevelopment Agency (Successor Agency) is performing its functions under Division 24, Parts 1.8 and 1.85 of the Health and Safety Code, as amended by Assembly Bill 1484 and other subsequent legislation (together as amended, the "Dissolution Law"), to administer the enforceable obligations and unwind the affairs of the former Agency.

One of the enforceable obligations is the \$9.3 million loan from the City's General Fund to the former Redevelopment Agency. Upon dissolution, the State Department of Finance (DOF) initially disapproved the loan repayment to the General Fund. Staff and the Agency's legal counsel met with DOF numerous times and provided extensive documentation showing that the loan was originally established within two years of the former Agency's formation and evidenced through a series of promissory notes. In May 2014, DOF approved the reinstatement of the Successor Agency's loan and allowed the annual loan repayment be placed on the Recognized Obligation Payment Schedules (ROPS), subject to annual approval by the oversight board and DOF.

At previous meetings of the Successor Agency, under the Dissolution Law, all prior ROPS were approved and thereafter submitted to the local oversight board, then to the DOF, and ultimately approved with modifications. As of July 1, 2018; the Orange Countywide Oversight Board serves as the oversight board to the 25 successor agencies in Orange County. This agenda report is for the annual ROPS for FY 2021-22 (Attachment 1). Under Section 34171(h) of the California Health and Safety Code, as amended, the ROPS is "the document setting forth the minimum payment amounts and due dates of payments required by enforceable obligations for each fiscal year as provided in subdivision (o) of Section 34177."

Under the dates required in the Dissolution Law, the Successor Agency is required to consider and adopt the ROPS for the period of July 1, 2022 to June 30, 2023, and submit such approved ROPS to the DOF on or before February 1, 2022. Section 34177(l) of Part 1.85, as amended, requires the Successor Agency to take actions with regard to each ROPS as follows:

“(l) (1) ... For each recognized obligation, the Recognized Obligation Payment Schedule shall identify one or more of the following sources of payment:

- (A) Low and Moderate Income Housing Fund.
- (B) Bond proceeds.
- (C) Reserve balances.
- (D) Administrative cost allowance.
- (E) The Redevelopment Property Tax Trust Fund, but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation or by the provisions of this part.
- (F) Other revenue sources, including rents, concessions, asset sale proceeds, interest earnings, and any other revenues derived from the former redevelopment agency, as approved by the oversight board in accordance with this part.

(o) (1) Commencing with the Recognized Obligation Payment Schedule covering the period from July 1, 2016, to June 30, 2017, inclusive, and for each period from July 1 to June 30, inclusive, thereafter, a successor agency shall submit an oversight board-approved Recognized Obligation Payment Schedule to the department and to the county auditor-controller no later than February 1, 2016, and each February 1 thereafter...”.

ANALYSIS:

The ROPS FY 2022-23 and the Successor Agency resolution (Attachment 2) are included with this agenda report. Currently, the only enforcement obligation is the annual payment on the promissory note for the reinstated City/Former Agency loan under Section 34191.4, which annual payment has been listed and approved by the DOF on the ROPS since DOF approved its reinstatement in 2014.

The timing for DOF’s review of each annual ROPS is set forth in subsection (o) of Section 34177 which provides:

“The department shall make its determination of the enforceable obligations and the amounts and funding sources of the enforceable obligations no later than April 15, 2016, and each April 15 thereafter. Within five business days of the department’s determination, a successor agency may request additional review by the department and an opportunity to meet and confer on disputed items, except for those items which are the subject of litigation disputing the department’s previous or related determination. An untimely submittal of a Recognized Obligation Payment Schedule may result in a meet and confer period of less than 30 days. The department 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.

Staff recommends that the Successor Agency adopt the attached Resolution approving the ROPS for FY 2022-23 and authorizing the Finance Director or her authorized designee to transmit to the Oversight Board for its review and approval, and under the Dissolution Law, concurrently to send a copy of ROPS FY 2022-23 to the DOF, the Orange County Auditor-Controller, the Orange County Administrative Officer, and State Controller's Office as required.

Further, the Finance Director or her authorized designee, in consultation with legal counsel, shall be authorized to request and complete meet and confer session(s) with the DOF and authorized to make augmentations, modifications, additions or revisions as may be necessary or directed by DOF, which changes, if any, will be reported back to the Successor Agency and the Oversight Board.

ALTERNATIVES:

N/A. An approved ROPS must be transmitted to the County Oversight Board, and ultimately the DOF, by February 1, 2022 for continuing funding.

FISCAL REVIEW:

If the DOF approves the ROPS FY 2022-23 as submitted, the Successor Agency will receive \$1,749,586 for the period July 1, 2022 to June 30, 2023 to pay the Successor Agency's enforceable obligations.

LEGAL REVIEW:

The City Attorney's Office has reviewed the report, and approves the report as to form.

CITY COUNCIL GOALS AND PRIORITIES:

Achieve Long-Term Fiscal Sustainability.

CONCLUSION:

Adopt Successor Agency Resolution No. 2022-xx approving the Recognized Obligation Payment Schedule for Fiscal Year 2022-23 for the period of July 1, 2022 to June 30, 2023, subject to submittal to and review by the Orange Countywide Oversight Board (Oversight Board) and the State of California, Department of Finance (DOF). Further, the Finance Director, or her authorized designee, in consultation with legal counsel, shall be authorized to request and complete meet and confer session(s), if any, with the DOF and authorized to make augmentations, modifications, additions or revisions as may be necessary or directed by DOF.