

Lompoc Successor Agency Agenda Item

Successor Agency Meeting Date: September 16, 2014

TO: Patrick Wiemiller, Executive Director

FROM: Melinda Wall, Financial Services Manager
m_wall@ci.lompoc.ca.us

SUBJECT: Required Obligation Payment Schedule 14-15B

Recommendation:

Staff recommends the Successor Agency accept the attached Required Obligation Payment Schedule (ROPS) 14-15B Report and authorize its submittal to the Oversight Board for their approval.

Background:

The Lompoc Redevelopment Agency (RDA) was dissolved with the passage of AB X1 26. AB X1 26 requires a semi-annual report for the ROPS to be submitted by each Successor Agency (SA) to request disbursement of tax increment sufficient to pay for enforceable obligations in the next six-month period. In general, prior ROPS consisted of enforceable obligations and other items that have been approved by the Oversight Board (OB) and the Department of Finance (DOF). The City, acting as the SA, receives confirmation of approval of a submitted ROPS through the DOF. Santa Barbara County is informed of the approval and is directed to disburse funds accordingly.

Discussion:

ROPS 14-15B covers the period from January 1, 2015, through June 30, 2015, and identifies all the existing payment obligations that are known at the time of submittal for the former RDA. No new obligations can be entered into unless specifically allowed under AB1484.

The SA utilizes a web-based program download from the DOF. It reconciles prior period ROPS, adds the approved ROPS 14-15A (July 1, 2014 to December 31, 2014), and comes up with an available cash amount to be offset by the Redevelopment Property Tax Trust Fund (RPTTF).

The amounts requested for debt service follow the original debt service schedule for the original bonds; and the refinanced Bank of America lease schedule for the Chevron

project financing is less than the original costs. The Administration costs requested are consistent with the amount we requested in ROPS 14-15A.

It should be noted that the SA is requesting payment of the three re-amortized City loans for the amount of \$53,643. During the RDA dissolution, the City recognized a loss of \$80,292 on these loans. The DOF responded in a letter dated April 21, 2014, addressing Resolution OB 15(14) that makes the findings that Loan Agreements 99-01, 99-02 and 99-03 are deemed to be enforceable obligations of the SA and were for legitimate redevelopment purposes. The DOF stated that "HSC section 34191.4(b)(2) requires the interest be calculated from loan origination at the Local Agency Investment Fund (LAIF) rate." However, the DOF determined the accumulated interest on the loan should be recalculated from the date of loan origination, using the quarterly LAIF interest rate at the time when the Agency's OB made a finding the City loan was for legitimate redevelopment purposes (LAIF interest rate was 0.23% on February 28, 2014). SA staff has made the calculation based on the quarterly amount the LAIF interest rate had generated during the life of the loans (LAIF interest rates ranged from 5.49% in 1999 to 6.52% in December 2000, to a low of 0.22% in June 2014). If the SA used the 0.23% back to the inception of the loans (1999), then the amount owed to the City would be reduced by \$53,102, or by 99% to \$541. Litigation is currently pending regarding which interest rate should apply.

Fiscal Impact:

The purpose of the ROPS is to identify the amount of the RPTTF needed to pay for obligations of the SA. This includes debt service from the 2004 Bond, 2010 Tax Allocation Note, Bank of America lease (formerly the Chevron lease now refinanced), related bond expenses (bank fees, arbitrage rebate fees), former commitments of the SA (City loans re-amortized), and administrative costs. Once the ROPS 14-15B is approved by the OB and the DOF, the RPTTF will be distributed by January 2, 2015, by Santa Barbara County.

The amount of RPTTF requested on ROPS 14-15B is \$506,022. This equals the requested enforceable obligations in the amount of \$545,898, less available cash reserves of \$39,876.

Of the \$545,898 requested from RPTTF:

- \$357,255 is for the 2004 bond, 2010 tax allocation note, and the Bank of America lease payments due during January 2015 – June 2015;
- \$53,643 is the request to repay city loans;
- \$10,000 is for related bond expenses that may come up, such as trustee or arbitrage services; and

- \$125,000 is for SA administration costs from January 2015 – June 2015.

If the payment of the City loans is not approved, then the General fund will lose \$53,643. Any amount of the RPTTF that is not used by the SA in the period covered by the subject ROPS will be carried over to pay for future ROPS costs.

Non-RPTTF funds come from reserves the SA already has, or from any income earned from interest earnings or from former loans. The SA loans to Sanchez had resumed payment in July 2013 and now show as revenue earnings on ROPS 14-15B. There is a request to move any remaining amount of Bond proceeds not already moved to the City in the cooperation agreement with the City. That would include any residual amount on the line items for the DeWees Senior and Community Center and the Lompoc Aquatic Center that remain and will finally close any SA Bond line items. That amount is \$107,862 as of the date of this report, but may be lowered due to any expenditures that may occur prior to December 31, 2014. The other line item that remains open is a \$130,000 commitment to a Low-, Mod-Income Housing agreement with Laurel Crossing, which is in the process of being requested for disbursement.

Conclusion:

The SA must comply with AB X1 26 to the best of its ability, while still ensuring it can meet the former RDA's enforceable obligations. Adoption of the ROPS 14-15B for the period of January to June 2015 is a necessary step. The SA must submit ROPS 14-15B to the DOF after OB approval (Health and Safety Code subsection 34177(m)) by October 3, 2014.

Respectfully submitted,

Melinda Wall, Financial Services Manager

APPROVED FOR SUBMITTAL TO THE EXECUTIVE DIRECTOR:

Brad Wilkie, Management Services Director

APPROVED FOR SUBMITTAL TO THE SUCCESSOR AGENCY:

Patrick Wiemiller, Executive Director

Attachment: [ROPS 14-15B Report](#)