



SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE TOWN OF APPLE VALLEY BOARD STAFF REPORT

To: Honorable Chair and Board of Directors **Date:** January 08, 2019

From: Sydnie Harris, Director of Finance **Item No:** 8
Finance Department

Subject: APPROVING AND AUTHORIZING TRANSMITTAL OF A RECOGNIZED
OBLIGATION PAYMENT SCHEDULE AND ADMINISTRATIVE BUDGET
FOR FISCAL YEAR 2019-20

T.M. Approval: _____ **Budgeted Item:** Yes No N/A

RECOMMENDED ACTION:

Adopt a resolution approving and authorizing transmittal of a Recognized Obligation Payment Schedule and administrative budget for Fiscal Year 2019-20.

SUMMARY:

In 2011, Assembly Bill (“AB”) x1 26 effectively dissolved all redevelopment agencies in the State of California. AB 1484 was signed by the Governor on June 27, 2012 and Senate Bill (“SB”) 107 was chaptered into law on September 22, 2015, both changing and clarifying certain provisions of AB x1 26 (collectively, the “Dissolution Law”). The Town of Apple Valley (“Town”) elected to serve as the Successor Agency to the Redevelopment Agency of the Town of Apple Valley (“Successor Agency”) under Dissolution Law, taking on the responsibility to wind down the affairs of the former Redevelopment Agency of the Town of Apple Valley.

The Dissolution Law requires the Successor Agency to prepare an annual Recognized Obligation Payment Schedule (“ROPS”) that identifies financial obligations and funding sources to pay them. The ROPS must be approved by the Oversight Board to the Successor Agency (“Oversight Board”) and submitted to the State Department of Finance (“DOF”). Pursuant to Health and Safety Code (“HSC”) Section 34177(I), DOF provides the ROPS form for successor agencies to use to report enforceable obligations.

The completed ROPS for the July 1, 2019 through June 30, 2020 period (“ROPS 19-20”) is due to DOF by February 1, 2019 by electronic submission. Pursuant to HSC Section 34177(l)(2)(C), a copy of the ROPS must also be submitted to the San Bernardino County Auditor-Controller (“Auditor-Controller”) and State Controller’s Office.

The Successor Agency requires and requests \$2,639,401 in Redevelopment Property Tax Trust Fund (“RPTTF”) revenues along with permission to spend \$1,074,314 in other funds to pay its obligations. This is about equal to the amount requested on the previous annual ROPS, and the Successor Agency requests funding for the exact same items as on the previous annual ROPS. RPTTF revenues are generated by the Successor Agency’s property tax increment. The other funds will be received from the Town’s portion of the former Victor Valley Economic Development Authority (“VVEDA”) Redevelopment Project Area, to pay for obligations associated with the Town’s portion of the VVEDA Project Area.

The approval of the Successor Agency’s ROPS 19-20, attached as Attachment “B”, is critical to ensure the continued flow of property taxes to the Successor Agency, thereby enabling the payments of scheduled debt service on bonded indebtedness and other obligations. Should a successor agency not submit a ROPS to the DOF by February 1, the sponsoring entity could be subject to a \$10,000 per day civil penalty for each day the ROPS is delinquent.

HSC Section 34177(j) requires successor agencies to prepare an annual proposed administrative budget and submit it to the oversight board for its approval. The Successor Agency has prepared an administrative budget for Fiscal Year (“FY”) 2019-20, attached as Attachment “C”.

DISCUSSION:

In addition to a list of enforceable obligations and requested funds to pay them during the upcoming fiscal year, the ROPS form includes a Report of Cash Balances. On the Report of Cash Balances, successor agencies identify any available funds on hand that can be used to pay enforceable obligations.

After all available funds on hand are allocated, the Successor Agency can request funding for enforceable obligations from property tax increment revenue deposited by the Auditor-Controller in the RPTTF. Allocations of RPTTF require approval by the Oversight Board and DOF.

The following sections elaborate on the enforceable obligations listed on the ROPS and significant aspects of the Cash Balances.

Tax Allocation Bonds Debt Service

The Successor Agency is obligated to pay debt service on three series of Tax Allocation Bonds (“Bonds”). Two of the three series of Bonds were issued by VVEDA and secured by property tax increment revenues from the Town’s portion of the VVEDA Project Area. These are the 2005 Tax Allocation Bonds (“2005 VVEDA Bonds”) and one of the 2007 Tax Allocation Bonds (“2007 VVEDA Bonds”).

The other series is the 2007 Tax Allocation Bonds issued by the Successor Agency and secured by property tax increment revenues from its own former Redevelopment Project Area 2 (“2007 Project Area 2 Bonds”). The Bonds were issued for the acquisition and construction of two sites, as well as the financing of certain public capital improvements. These obligations correspond to ROPS items 1, 2, and 8.

The Successor Agency receives funding from VVEDA’s RPTTF for the 2005 VVEDA Bonds and the 2007 VVEDA Bonds. Therefore, for the Successor Agency, these funds are considered “Other Funds,” which it must request to spend on the ROPS. Per the debt service schedule, the Successor Agency requests the following on the current ROPS:

- 2005 VVEDA Bonds (ROPS item 1): \$513,902
- 2007 VVEDA Bonds (ROPS item 2): \$544,612

The Successor Agency must also request to spend its own RPTTF funding for the 2007 Project Area 2 Bonds. Per the debt service schedule, the Successor Agency requests the following on the current ROPS:

- 2007 Project Area 2 Bonds (ROPS item 8): \$2,386,751

Tax Allocation Bonds Fees and Costs

The Successor Agency requests funding for fiscal agent fees and professional service costs associated with the Bonds. These obligations correspond to ROPS items 41, 42, and 43 and total \$18,450 on ROPS 19-20. Funding is requested either from “Other Funds” or from RPTTF, depending on whether the fees and costs are associated with the VVEDA-related Bonds or the 2007 Project Area 2 Bonds.

Successor Agency Administrative Costs

HSC Section 34177(j) requires the Successor Agency to prepare an Administrative Budget and submit it to the Oversight Board for approval. The Successor Agency anticipates needing the entire \$250,000 minimum annual administrative allocation described in HSC Section 34171(b) and is requesting that amount (ROPS item 17), split evenly between the two six-month periods. An Administrative Budget for FY 2019-20 is

attached as Attachment "C".

Cash Balances

The Cash Balances page shows the inflow and outflow of funds held by the Successor Agency. Funds are being spent in a timely manner and consistent with the approvals of the Oversight Board and DOF. The Cash Balances page helps the Successor Agency to identify other funds available to spend on enforceable obligations, detailed as follows:

- \$1,057,555 in other funds revenue were received and spent for the 2005 VVEDA Bonds and 2007 VVEDA Bonds in FY 2016-17.
- The Successor Agency spent all of the RPTTF it received, both in FY 2015-16 and in FY 2016-17. Therefore, no unspent RPTTF is available for re-allocation to ROPS 19-20 obligations.

Last and Final ROPS

Pursuant to HSC section 34191.6(a), beginning January 1, 2016, agencies that have received a Finding of Completion may submit a Last and Final ROPS if all the following conditions are met:

- 1) The remaining debt is limited to administrative costs and payments pursuant to enforceable obligations with defined payment schedules including, but not limited to, debt service, loan agreements, and contracts.
- 2) All remaining obligations have been previously listed on the ROPS and approved for payment by Finance pursuant to HSC section 34177(m) or (o).
- 3) The agency is not a party to outstanding/unresolved litigation, except as specified in HSC section 34191.6(a)(3).

A Last and Final ROPS will reduce the administrative burden on the Successor Agency and eliminate the need for Oversight Board meetings to approve the ROPS. The Successor Agency can only amend the Last and Final ROPS twice. Due to recent staff turnover, the Successor Agency is in the process of determining whether it is in a position to submit a Last and Final ROPS. Staff is checking whether the following items were appropriately retired and removed by DOF from the previous annual ROPS or whether the Successor Agency should attempt to add these items back to the ROPS and request funding for them:

- An Educational Revenue Augmentation Fund Loan (ROPS item 14)
- Obligations of the Redevelopment Agency of the Town of Apple Valley ("Former Agency") paid via funds advanced from the Town (ROPS item 29)
- Loans from the Town to the Former Agency (ROPS items 31-40)

Oversight Board Consolidation

As of July 1, 2018, the San Bernardino Countywide Oversight Board was established pursuant to HSC Section 34179(j). This means that instead of all successor agencies in San Bernardino County each having their own oversight board, one Consolidated Oversight Board reviews actions taken by all of the successor agencies within the County and can direct all of the same successor agencies to perform certain actions. The Consolidated Oversight Board is composed of seven appointed members:

- Acquanetta Warren, City Selection Committee Appointment
- David Wert, County Board of Supervisors Appointment
- Cindy Saks, Independent Special District Selection Committee Appointment
- Richard De Nava, San Bernardino County Superintendent of Schools Appointment
- Lawrence Strong, Chancellor of the California Community Colleges Appointment
- Kenneth Miller, County Board of Supervisors Appointment
- Mario Vasquez, Recognized Employee Organization Appointment

The Oversight Board has scheduled its general meetings to occur approximately once per month during FY 2018-19. However, to accommodate the 26 successor agencies that will need a ROPS approved in January, the Oversight Board has scheduled four meetings in January 2019. The Successor Agency's assigned meeting is on January 23, 2019. The Successor Agency submitted a draft of its ROPS and related documents for review at this meeting prior to December 12, 2018, as required. This deadline allows for County staff to review the submission and provide feedback, as well as for the Successor Agency to incorporate feedback, if necessary. With the consolidation of the Oversight Boards, it is expected that expenditures may be more stringently monitored, and successor agencies may have to provide additional supporting documentation, especially for the administrative allowance.

FISCAL IMPACT:

ROPS 19-20 must be approved by the Oversight Board and submitted to the DOF by February 1, 2019 for the Successor Agency to receive RPTTF, administered by the Auditor-Controller, and to pay enforceable obligations during the ROPS 19-20 period.

ATTACHMENTS:

- A. Resolution No. SA 2019-01 approving and authorizing transmittal of a Recognized Obligation Payment Schedule and administrative budget for Fiscal Year 2019-20
- B. Town of Apple Valley Successor Agency ROPS 19-20

C. Town of Apple Valley Successor Agency Fiscal Year 2019-20Administrative
Budget

RESOLUTION NO. SA 2019-01

A RESOLUTION OF THE SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE TOWN OF APPLE VALLEY APPROVING AND AUTHORIZING TRANSMITTAL OF A RECOGNIZED OBLIGATION PAYMENT SCHEDULE AND ADMINISTRATIVE BUDGET FOR FISCAL YEAR 2019-20

WHEREAS, pursuant to Assembly Bill (“AB”) x1 26, enacted on June 28, 2011, and as subsequently amended by AB 1484, and Senate Bill 107 (collectively, “Dissolution Act”), as codified in the California Health & Safety Code (“HSC”), the Redevelopment Agency of the Town of Apple Valley (“Former Agency”) was dissolved as of February 1, 2012; and

WHEREAS, the Town of Apple Valley (“Town”) elected to serve as the Successor Agency to the Former Agency (“Successor Agency”) pursuant to the Dissolution Act; and

WHEREAS, among the duties of successor agencies under the Dissolution Act as amended is the preparation of an annual Recognized Obligation Payment Schedule (“ROPS”), per HSC Section 34177(l), that includes the ensuing fiscal year for consideration by a consolidated oversight board and the California Department of Finance (“DOF”) for purposes of administering the wind-down of financial obligations of the Former Agency; and

WHEREAS, HSC Section 34177(l) further requires that the proposed ROPS be transmitted to the San Bernardino County Consolidated Oversight Board (“Oversight Board”), after which time the Oversight Board may approve the ROPS and the Successor Agency’s transmittal of the adopted ROPS to DOF, the San Bernardino County Auditor-Controller, and the State Controller’s Office for their consideration; and

WHEREAS, the proposed ROPS for Fiscal Year 2019-20 (“ROPS 19-20”), attached hereto as Attachment “B,” has been prepared and is consistent with the provisions of the Dissolution Act and in the format made available by DOF; and

WHEREAS, the Successor Agency desires to approve the proposed ROPS 19-20 and transmit it to various parties as required by the Dissolution Law; and

WHEREAS, the Successor Agency is required to prepare an annual administrative budget and submit it to an oversight board per HSC Section 34177(j); and

WHEREAS, the Successor Agency prepared the Fiscal Year 2019-20 Administrative Budget in accordance with the Dissolution Act, attached hereto as Attachment “C”; and

WHEREAS, the Successor Agency's proposed Fiscal Year 2019-20 Administrative Budget has been reviewed, and by this Resolution the Successor Agency desires to approve such Administrative Budget and authorize submittal thereof to the Oversight Board for its review and approval; and

WHEREAS, the Oversight Board will review the ROPS 19-20 and Fiscal Year 2019-20 Administrative Budget on January 23, 2019.

NOW, THEREFORE, THE SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE TOWN APPLE VALLEY DOES HEREBY RESOLVE AS FOLLOWS:

SECTION 1. The foregoing recitals are true and correct and are a substantive part of this Resolution, incorporated herein by this reference.

SECTION 2. The Successor Agency hereby approves and adopts the ROPS 19-20 covering the period of July 1, 2019 through June 30, 2020, in substantially the form attached hereto as Attachment "B," as required by Dissolution Law.

SECTION 3. Pursuant to the Dissolution Act, the Successor Agency approves the Fiscal Year 2019-20 Administrative Budget for the period of July 1, 2019 to June 30, 2020 submitted herewith as Attachment "C," which is incorporated herein by this reference.

SECTION 4. The Town Manager is hereby authorized and directed to post a copy of the ROPS on the Town's website and transmit a copy of the ROPS to the offices of the San Bernardino County Auditor-Controller, the California State Controller's Office, and the California State Department of Finance upon the Oversight Board's approval. **APPROVED** and **PASSED** this 8th day of January, 2019

Successor Agency to the Redevelopment
Agency of the Town of Apple Valley

BY: _____
Chair

ATTEST:

Successor Agency Secretary

APPROVED AS TO FORM:

Successor Agency Counsel

Apple Valley Recognized Obligation Payment Schedule (ROPS 19-20) - ROPS Detail

July 1, 2019 through June 30, 2020

(Report Amounts in Whole Dollars)

A	B	C	D	E	F	G	H	I	J	K	19-20A (July - December)					Q	19-20B (January - June)					W	
											Fund Sources						Fund Sources						
											L	M	N	O	P		R	S	T	U	V		
																							Bond Proceeds
Item #	Project Name/Debt Obligation	Obligation Type	Contract/Agreement Execution Date	Contract/Agreement Termination Date	Payee	Description/Project Source	Project Area	Total Outstanding Debt of Obligor	Retired	ROPS 19-20 Total	Bond Proceeds	Reserve Balance	Other Funds	RPTTF	Acctm RPTTF	19-20A Total	Bond Proceeds	Reserve Balance	Other Funds	RPTTF	Acctm RPTTF	19-20B Total	
1	2005 Tax Allocator Bonds	Bonds issued On or Before 12/31/12	5/1/2005	5/30/2005	JS Bank	2005 Tax Allocator Bonds for capital projects	WECA	\$ 6,177,426	N	\$ 513,902	\$ 0	\$ 0	\$ 304,437	\$ 663,502	\$ 225,000	\$ 1,122,943	\$ 0	\$ 0	\$ 378,250	\$ 1,665,575	\$ 125,000	\$ 2,543,133	
2	2007 Tax Allocator Bonds	Bonds issued On or Before 12/31/12	8/1/2007	5/30/2007	JS Bank	2007 Tax Allocator Bonds for capital projects	WECA	13,851,786	N	\$ 644,612			154,605			\$ 154,605			379,806			\$ 578,306	
6	2007 Tax Allocator Bonds	Bonds issued On or Before 12/31/12	1/1/2007	5/30/2007	JS Bank	2007 Tax Allocator Bonds for capital housing projects	Project Area 2	42,925,510	N	\$ 2,386,787				800,875		\$ 630,675				1,665,575		\$ 1,605,075	
17	Admin Costs	Admin Costs	7/1/2015	5/30/2007	Town of Apple Valley	Dissolution Activities and Services	WECA/AVPCA Project Area 2	4,500,000	N	\$ 250,000					125,000	\$ 125,000					125,000	\$ 125,000	
41	2005 Tax Allocator Bonds Field Agent Fees	Fees	5/1/2005	5/30/2005	JS Bank	Annual Fiscal Agent Fees for WECA Project Area Bonds	WECA	50,400	N	\$ 3,150			3,150			\$ 3,150							\$ -
42	2005 Tax Allocator Bonds Continuing Disclosure	Professional Services	5/1/2005	5/30/2005	JS Bank	Professional Service Costs relating to Annual Disclosure Requirements	WECA	30,000	N	\$ 2,000			2,000			\$ 2,000							\$ -
43	2007 Tax Allocator Bonds Field Agent Fees	Fees	8/1/2007	5/30/2007	JS Bank	Annual Fiscal Agent Fees for AVPCA Project Area Bonds	Project Area 2	47,700	N	\$ 2,650				2,650		\$ 2,650							\$ -

ATTACHMENT C

APPLE VALLEY REDEVELOPMENT SUCCESSOR AGENCY ADMINISTRATIVE BUDGET FY 2019-20 FOR JULY 1, 2019 to JUNE 30, 2020

Expense Category	Responsibilities	FY 2019-20 Proposed Budget
AGENCY STAFF		
Finance	<ul style="list-style-type: none"> • Process payment of enforceable obligations • Maintain documentation of Agency records • Coordinate with consultant to answer questions and provide documentation as requested by Oversight Board, County Auditor-Controller, and Department of Finance 	\$120,000
Legal	<ul style="list-style-type: none"> • Provide general legal services as needed • Review staff reports and resolutions 	\$50,000
City Manager	<ul style="list-style-type: none"> • Provide direction to other staff and consultants as needed 	\$40,000
Other	<ul style="list-style-type: none"> • Administration and implementation of Agency wind-down 	\$20,000
AGENCY STAFF TOTAL		\$230,000
CONTRACTS		
Administrative services	<ul style="list-style-type: none"> • Prepare ROPS, PPA, staff reports, and resolutions • Coordinate with and answer questions for Oversight Board, County Auditor-Controller, and Department of Finance • Attend Successor Agency and Oversight Board meetings • Monitor and project cash flow to ensure sufficient revenues for obligations and to inform Agency staff of expected revenues 	\$20,000
CONTRACTS TOTAL		\$20,000
TOTAL BUDGET		\$250,000