



MEMORANDUM

TO: Board of Directors of the Successor Agency to the Dissolved Arroyo Grande Redevelopment Agency

FROM: Nicole Valentine, Administrative Services Director

SUBJECT: Consideration of Adoption of Resolution Approving the Last and Final Recognized Obligation Payment Schedule for the Successor Agency to the Arroyo Grande Redevelopment Agency

DATE: September 13, 2022

SUMMARY OF ACTION:

Adoption of the Resolution approving the Last and Final Recognized Obligation Payment Schedule (L&F ROPS) will cover the period from July 1, 2023 to June 30, 2038, and authorize the Administrative Services Director to present the L&F ROPS to the County Oversight Board for review and approval. The [L&F ROPS](#) will reduce the administrative burden on the Successor Agency and eliminate the need for Oversight Board meetings to approve the ROPS in future years.

IMPACT ON FINANCIAL AND PERSONNEL RESOURCES:

Adoption of the Resolution, subject to timely approval by Department of Finance (DOF), will authorize the Successor Agency to the City of Arroyo Grande to receive Redevelopment Property Tax Trust Fund (RPTTF) payments for all Successor Agency obligations for each remaining fiscal year on a bi-annual basis until all approved enforceable obligations have been fully paid.

RECOMMENDATION:

Adopt the Resolution approving the Last and Final Recognized Obligation Payment Schedule (L&F ROPS), covering the period from July 1, 2023 to June 30, 2038, and authorize the Administrative Services Director to present the L&F ROPS to the County Oversight Board for review and approval.

BACKGROUND:

The Successor Agency to the Dissolved Arroyo Grande Redevelopment Agency must submit a Recognized Obligation Payment Schedule (ROPS) to the County Oversight Board for approval prior to submission to the California State Department of Finance (DOF). The ROPS sets forth the minimum payment amounts and due dates of payments required by enforceable obligations for each fiscal year. Following the State's dissolution

Item 8.c.

City Council

Consideration of Adoption of Resolution Approving the Last and Final Recognized Obligation Payment Schedule for the Successor Agency to the Arroyo Grande Redevelopment Agency

September 13, 2022

Page 2

of redevelopment agencies in 2012, the ROPS approval process was done on a semi-annual basis and changed to an annual basis as of fiscal year 2015-16.

After all agency obligations as set forth on the ROPS have been accepted as enforceable obligations by DOF, a successor agency is permitted to submit a Last and Final (L&F) ROPS, covering all periods until all obligations are retired. Upon approval by DOF, the L&F ROPS will establish the maximum amount of Redevelopment Property Tax Trust Funds (RPTTF) to be distributed to the Successor Agency for each remaining fiscal year until all obligations have been fully paid.

ANALYSIS OF ISSUES:

This ROPS presented for approval by the Board of Directors of the Successor Agency to the Dissolved Arroyo Grande Redevelopment Agency is designated as being the L&F ROPS, covering the period from July 1, 2023 to June 30, 2038, as recommended by the Successor Agency's outside consultant, Doug Anderson of Urban Futures. This L&F ROPS can be submitted at any time, and DOF has 100 days within which to approve or disapprove the request. If the L&F ROPS is approved less than 15 days before the date of the property tax distribution, it shall not be effective until the subsequent RPTTF distribution period. The L&F ROPS is scheduled for approval at the next regular meeting of the County Oversight Board scheduled for September 30, 2022, after which time it will be submitted to the DOF for review and approval.

Agencies may submit a L&F ROPS if all the following conditions are met:

- 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.
- All remaining obligations have been previously listed on the ROPS and approved for payment by DOF.
- The agency is not a party to outstanding/unresolved litigation.

The Successor Agency to the Dissolved Arroyo Grande Redevelopment Agency meets all of the above conditions required to submit a L&F ROPS request to the Countywide Oversight Board for approval and submission to the DOF.

At this time, the Board of Directors of the Successor Agency is being asked to approve the L&F ROPS for the period of July 1, 2023, through June 30, 2038. The L&F ROPS lists all remaining payments for the 2018 Bonds, annual bond Trustee fees for the 2018 Bonds, and annual administrative expenses of the Successor Agency. The total outstanding amount of the enforceable obligations listed on the L&F ROPS is \$5,817,973. This amount includes funding for the following items:

Item 8.c.

City Council

Consideration of Adoption of Resolution Approving the Last and Final Recognized Obligation Payment Schedule for the Successor Agency to the Arroyo Grande Redevelopment Agency

September 13, 2022

Page 3

1. 2018 Tax Allocation Bonds – 2007 Bonds issued by the City’s Redevelopment Agency were refinanced in 2018 for a debt service savings of \$1,179,681, net of all costs of issuance. The 2018 Bonds in the amount of \$5,305,000 were issued to repay funds that had been borrowed from internal funds for start-up costs for the Redevelopment Agency and to fund new economic development and affordable housing projects. This is a 30-year debt and the last payment is due on September 1, 2037. The proposed L&F ROPS includes the repayment of this debt and covers the remaining period of the repayment obligation.
2. Administrative Costs – Per ABX1 26, the Successor Agency is eligible to receive an “administrative cost allowance” for reimbursement of the Successor Agency’s administrative costs. The amount of \$12,000 is the estimated amount recommended by our advisor based on their expertise and experience working on L&F ROPS that will be needed each year for the next 15 fiscal years. Therefore, the L&F ROPS includes a total of \$180,000 in reimbursable administrative costs.
3. 2018 Tax Allocation Bond Fees – A fiscal agent fee of \$2,000 per year charged by Wells Fargo Bank is included in the proposed L& F ROPS, totaling \$29,000.

Finally, the Indenture of Trust for the 2018 Bonds requires that the Successor Agency obtain written consent from Build America Mutual Assurance Company (“BAM”) as the insurer of the 2018 Bonds prior to filing a L&F ROPS for approval by the Countywide Oversight Board and DOF. The Successor Agency has obtained such written consent from BAM (Attachment 3).

The L&F ROPS will reduce the administrative burden on the Successor Agency and eliminate the need for Oversight Board meetings to approve the ROPS in future years.

ALTERNATIVES:

The following alternatives are provided for the Board of Director’s consideration:

1. Adopt the Resolution approving the Last and Final Recognized Obligation Payment Schedule (L&F ROPS), covering the period from July 1, 2023 to June 30, 2038, and authorize the Administrative Services Director to present the L&F ROPS to the County Oversight Board for review and approval;
2. Do not adopt the Resolution approving the draft Last and Final Recognized Obligation Payment Schedule and provide alternate direction to staff, including continued annual preparation of the Recognized Obligation Payment Schedules and submission to the Successor Agency Board, County Oversight Board, and the Department of Finance for approval; or
3. Provide other direction to staff.

City Council

Consideration of Adoption of Resolution Approving the Last and Final Recognized Obligation Payment Schedule for the Successor Agency to the Arroyo Grande Redevelopment Agency

September 13, 2022

Page 4

ADVANTAGES:

Adoption of the Resolution approving the L&F ROPS will allow the DOF to distribute funding to the Successor Agency for each remaining fiscal year until all obligations have been fully paid without completing and submitting an annual ROPS to the County Oversight Board and DOF.

DISADVANTAGES:

No disadvantages have been identified to adopting the Resolution.

ENVIRONMENTAL REVIEW:

No environmental review is required for this item.

PUBLIC NOTIFICATION AND COMMENTS:

The Agenda was posted at City Hall and on the City's website in accordance with Government Code Section 54954.2.

Attachments:

1. Proposed Resolution Approving the Last and Final Recognized Obligation Payment Schedule and Exhibit A
2. Bond Insurer Consent