



JOINT REPORT TO CITY COUNCIL AND SUCCESSOR AGENCY

To: Honorable Mayor/Chair and City Council/Successor Agency Members

From: Grant Yates, City Manager/Executive Director

Prepared by: Barbara Leibold, Agency Counsel

Date: January 14, 2020

Subject: Loan Agreement For Administrative Costs For the Period January 1, 2020 – June 30, 2020 (ROPS 19-20B) between the City of Lake Elsinore and the Successor Agency of the Redevelopment Agency of the City of Lake Elsinore

Recommendation

City Council Adopt A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LAKE ELSINORE, CALIFORNIA, APPROVING A LOAN AGREEMENT FOR ADMINISTRATIVE COSTS FOR THE PERIOD JANUARY 1, 2020 – JUNE 30, 2020 (ROPS 19-20B) BETWEEN THE CITY AND SUCCESSOR AGENCY UNDER HEALTH & SAFETY CODE SECTION 34173(H)

SUCCESSOR AGENCY ADOPT A RESOLUTION OF THE SUCCESSOR AGENCY OF THE REDEVELOPMENT AGENCY OF THE CITY OF LAKE ELSINORE, CALIFORNIA, APPROVING A LOAN AGREEMENT FOR ADMINISTRATIVE COSTS FOR THE PERIOD JANUARY 1, 2020 – JUNE 30, 2020 (ROPS 19-20B) BETWEEN THE CITY AND SUCCESSOR AGENCY UNDER HEALTH & SAFETY CODE SECTION 34173(h)

Background

As part of the dissolution of the former Redevelopment Agency, Health and Safety Code Section 34177 (added by AB 1X 26, as amended to date) requires the Successor Agency to adopt a Recognized Obligation Payment Schedule (ROPS) that lists all obligations of the former redevelopment agency that are enforceable within the meaning of subdivision (d) of Section 34167 for each twelve month period of each fiscal year. Each ROPS is a budgetary document upon which the County auditor-controller distributes what was formally called tax increment to the Successor Agency in order to allow it to pay approved enforceable obligations and administrative costs. In short, the auditor-controller deposits what would previously have been deemed tax increment into a new account, the Redevelopment Property Tax Fund ("RPTTF"). Any RPTTF dollars not required to pay enforceable obligations and approved administrative costs are

distributed by the auditor-controller to the affected taxing entities in proportion to their respective share of property taxes.

The Successor Agency previously adopted its ROPS 19-20B covering the period of January 1, 2020 through June 30, 2020 which was subsequently approved by the Riverside Countywide Oversight Board and the California Department of Finance (DOF). The DOF approved ROPS 19-20B identified \$8,813,557 in obligations to be paid from the RPTTF. However, the Riverside County Auditor-Controller's office notified the Successor Agency that it will receive \$8,492,986.70 in RPTTF funds for the ROPS 19-20B cycle, thus creating a \$146,540 administrative cost shortfall and a \$174,030.36 shortfall in enforceable obligations. The entire funding shortfall should be covered by an adjustment in the repayment of the Housing Fund Loan (ROPS Item #20) which by its terms is to be paid from available RPTTF after payment of all other enforceable obligations, including administrative costs. However, in the event the reduction in the repayment of the Housing Fund Loan is insufficient for the Successor Agency to pay its administrative costs set forth in ROPS 19-20B, the City may loan funds to the Successor Agency for this purpose. Recapture of the shortfall in administrative costs requires the Successor Agency adopt a resolution requesting RPTTF to reimburse the City for the payment of the unfunded administrative allowance.

Discussion

Health & Safety Code Section 34173(h) of the Dissolution Act allows City – Successor Agency loans for the payment of administrative costs when RPTTF and immediately available funds on deposit in the Successor Agency's Redevelopment Obligation Retirement Fund are not sufficient. In order to meet the Successor Agency administrative costs, the city is able to advance funds to the Successor Agency in the form of a loan in the amount of the \$146,540 administrative shortfall. The attached loan agreement establishes the terms of the loan subject to approval by the Riverside Countywide Oversight Board and subsequent approval by DOF. The loan accrues interest at LAIF and repayment of both principal and interest are included in the ROPS 20-21 as Line Item 35.

Fiscal Impact

Approval of this Loan Agreement in the principal amount of \$146,540 and the subsequent approval by the DOF will ensure that the Successor Agency can fully meet all obligations contained in ROPS 19-20B. It also ensures that the Successor Agency will be entitled to future distributions from the RPTTF in order to fully repay both principal and interest of this loan.

Exhibits

- A - City Council Resolution
- B - Successor Agency Resolution
- C - Loan Agreement