



# AGENDA REPORT

**Department:** Finance  
**Prepared by:** Janel Pehau, Financial Analyst  
**Meeting Date:** Tuesday, December 6, 2022  
**Approved by:** Brad Raulston, City Manager

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**SUBJECT:**

Redevelopment Obligations Payment Schedule for Fiscal Year 2023-24 (ROPS 23-24) and associated administrative budget (SUCCESSOR AGENCY)

**RECOMMENDATION:**

Adopt the resolution approving ROPS 23-24 and the associated administrative budget and authorizing them to be submitted to the Countywide Redevelopment Successor Agency Oversight Board.

**BOARD/COMMISSION/COMMITTEE PRIOR ACTION:**

Not Applicable.

**EXPLANATION:**

Background. Effective February 1, 2012, all Redevelopment Agencies in California were dissolved and “Successor Agencies” were established to wind down the affairs of the former redevelopment agencies under the direction of oversight boards. Health and Safety Code Section 34177 requires successor agencies to perform a number of functions, one of which is to prepare a Recognized Obligation Payment Schedule (ROPS) before each fiscal period that details amounts required to be spent and the source of funds for those expenditures. Each successor agency must submit the ROPS to its oversight board for approval, after which it is forwarded for review and approval to the State Department of Finance, with copies to the County Auditor and Controller and State Controller’s Office. The San Diego County Oversight Board will consider the Agency’s ROPS at its January 19, 2023 meeting. ROPS 23-24 is due to the State Department of Finance (DOF) by February 1, 2023. In addition, successor agencies are required to prepare and submit to the oversight board an administrative budget that details the estimated administrative costs for each upcoming ROPS period. DOF does not review the administrative budget.

Even though the ROPS covers an entire fiscal year, the standardized form distributed by DOF requires that obligation payment amounts be assigned to either the “A” portion of the fiscal year (July through December) or the “B” portion of the year (January through June). The assignment of expenses to one half or the other of the fiscal year is designed not to restrict when authorized amounts may be spent during the fiscal year, but to facilitate the distribution of redevelopment property tax trust fund (RPTTF) monies, the primary source of funding for the ROPS. These monies are the equivalent of the tax increment revenues that were previously allocated to the former redevelopment agencies. The County of San Diego maintains a separate RPTTF for each successor agency within the county. RPTTF monies are distributed on June 1 and January 2 by the County Auditor and Controller. The June 1 distribution is for expenditures expected to occur during the “A” portion of the upcoming ROPS cycle, while the January 2 distribution provides cash for the second half (“B” portion) of the cycle.

Should changes to the ROPS be necessary after the ROPS has been approved by DOF, each successor agency is allowed to amend it one time per ROPS period. The amendment must be submitted to DOF by October 1, and successor agencies may amend only the amounts requested for payment of approved enforceable obligations that fall within the “B” portion of the year; no new obligations can be created through the amendment process.

ROPS 23-24. The proposed Recognized Obligation Payment Schedule for the July 1, 2023 through June 30, 2024 (ROPS 23-24) period for the National City Successor Agency, attached as Exhibit A, totals \$4.27 million. Of that amount, \$3.81 million is allocated to the first half of the fiscal year and \$0.46 million to the second half of the fiscal year. (Note: The ROPS schedules are in the form of the anticipated schedules to be issued by the State Department of Finance. These schedules must be completed on DOF’s website, but were not available in time to meet the agenda formation deadline. Once they are available, staff will enter the amounts shown in Exhibit A.)

ROPS 23-24 is the simplest ROPS to date. Previous ROPS provided for obligations related to the Paradise Creek apartments, environmental remediation for the Paradise Creek Park, and environmental monitoring related to certain projects carried out by the former Redevelopment Agency. These obligations have been completed, leaving only debt service, a litigation matter that is expected to be settled soon, and administrative costs.

Debt service: In September 2017, all of the Successor Agency’s outstanding tax allocation bonds (Series 1999, 2005B and 2011) were refunded to reduce future debt service costs on the bonds by an annual average of \$1.0 million through final maturity in August 2032. For the ROPS 23-24 period, debt service payments on the 2017 refunding bonds will total \$4.06 million (Items 180 – 183). Annual Trustee and financial reporting fees related to the bonds are expected to total \$8,000 (Items 128 and 162).

Administrative Cost Allowance (ACA) and Administrative Budget: The administrative cost allowance is governed by Health and Safety Code (HSC) section 34171 (b). The Code provides for an ACA that is equal to up to 3% of the authorized RPTTF, excluding amounts for administrative costs and city loan repayments (the “adjusted RPTTF”), with a minimum ACA of \$250,000 annually as long as the \$250,000 does not equal more than 50% of the RPTTF distribution. The Code also provides that the ACA is subject to approval of the Oversight Board and that it may reduce the amount requested by a successor agency. DOF provides a methodology for the 3% calculation that uses the prior year’s adjusted RPTTF distribution. The 2022-23 adjusted RPTTF for the National City Successor Agency is \$3,206,042. When multiplied by 3%, it would result in an ACA for ROPS 23-24 of \$96,181, which is below the minimum of \$250,000. Based on staff’s analysis of estimated costs to operate the Successor Agency, ROPS 23-24 requests \$190,000 for the ACA. The Administrative Budget, attached as Exhibit B to the resolution, details the estimated administrative expenditures for the ROPS 23-24 period.

Legal Services: The Successor Agency has only one litigation matter remaining: the Affordable Housing Coalition v. Sandoval, et al case. In July, 2013, the Affordable Housing Coalition of San Diego County filed a lawsuit in the Sacramento County Superior Court against the City of National City in its capacity as the Successor Agency to the Community Development Commission of National City, as well as other cities/successor agencies in San Diego County, claiming that 1) the statutes under the former Redevelopment Law imposing affordable housing obligations upon redevelopment agencies created enforceable obligations under the redevelopment dissolution statutes, and 2) if enforceable obligations were not created, the dissolution statutes unconstitutionally impaired the obligations of contracts. In September, 2016, the Court ruled against the petitioner and in favor of the respondent cities/successor agencies. Judgment based upon this ruling was entered in November, 2016, but the ruling was appealed and is still in the appeal process. While it is possible that this case will be concluded during the ROPS 22-23 period, it is not certain. Because of this uncertainty, ROPS 23-24 requests \$10,000 for this item.

**FINANCIAL STATEMENT:**

The projected amount of property taxes to be deposited by the County into the National City Successor Agency's RPTTF account for ROPS 23-24 is \$26.6 million. Of this amount, an estimated \$6.2 million would be distributed as pass-through payments to the affected taxing entities (including the City) and to the County for administrative costs. The City's share of the pass-through payments is expected to be approximately \$670,000. Then, after applying \$4.3 million to the expenditures for the items listed on ROPS 23-24, approximately \$16.1 million would remain for distribution to the affected taxing entities as residual balance, of which the City of National City's share would be approximately \$2.9 million.

**RELATED CITY COUNCIL 2020-2025 STRATEGIC PLAN GOAL:**

Balanced Budget and Economic Development

**ENVIRONMENTAL REVIEW:**

This is not a project under CEQA and is therefore not subject to environmental review.CCR15378; PRC 21065.

**PUBLIC NOTIFICATION:**

Agenda Report posted a minimum of 72 hours before meeting date and time in accordance with Brown Act.

**ORDINANCE:**

Not Applicable

**EXHIBITS:**

Exhibit A – ROPS 23-24

Exhibit B – ROPS 23-24 Administrative Budget

Exhibit C - Resolution