



# Successor Agency and ROPS 21-22

City Council Meeting  
January 13, 2021

Michael Solorza, Director of Finance

# RDA, SA, ROPS, EO, RPTTF...

- \* Getting through the alphabet soup ...
- \* Successor Agency (SA)
- \* Redevelopment Agency (RDA)
- \* Recognized Obligation Payment Schedule (ROPS)
- \* Enforceable Obligations (EO)
- \* Redevelopment Property Tax Trust Fund (RPTTF)
- \* Oversight Board (OB )
- \* State Department of Finance (DOF)

# Redevelopment Agency History

- \* “Redevelopment Agencies” created by California Community Redevelopment Act (CRA) – 1945
  - \* *GOAL: Eliminate blight through development, reconstruction and rehabilitation*
  - \* Community Redevelopment Law (CRL) updated in 1951
  - \* California Constitution Article XVI, Section 16
  - \* Health and Safety Code Section 33000 et al

# Redevelopment Agency History

- \* Law allowed creation of Redevelopment Agencies
  - \* Create “project areas” to target redevelopment
    - \* Montebello has 4 project areas: South Industrial, Montebello Hills, Montebello Hills 1976 Annex, Economic Revitalization
  - \* RDA’s retained “tax increment” to use for additional (new) redevelopment
- \* “Tax Increment” (TI = property tax) leveraged for projects
  - \* Future increases in assessed value = increased property tax revenue flows to RDA (by project area)
    - \* Would typically issue bonds to fund projects
    - \* Debt service paid with TI proceeds

# The Demise of RDA's

- \* AB1X26 and AB1X27
  - \* Signed into law by Gov. Brown, June 2011
  - \* AB1X26: barred RDAs from engaging in new business and provided for eventual wind down and dissolution
  - \* AB1x27: RDAs could continue, but had to pay into special fund to benefit schools
    - \* *California Redevelopment Association and League of Cities sued to stop implementation of both*
- \* December 2011: State Supreme Court ruled
  - \* AB1X26 – Constitutionally allowed
  - \* AB1X27 – Unconstitutional

# Successor Agencies and Enforceable Obligations

- \* AB1X26 dissolved RDAs across the State
  - \* Effective January 31, 2012
  - \* Put severe restrictions on RDAs retroactively back to 2011
  - \* Some activities disallowed even if they were properly engaged between July 1, 2011 and January 31, 2012
- \* RDAs no longer allowed to keep ALL tax increment
  - \* Retain only enough to pay costs associated with Enforceable Obligations
  - \* Subject to approval by State DOF

# ROPS, SA, OB

- \* Successor Agencies now required to complete Recognized Obligation Payment Schedules (ROPS)
  - \* Each ROPS listed various Enforceable Obligations (EOs)
  - \* ROPS = official request for tax increment (now called RPTTF) to pay for EOs
  - \* Certain EOs could be denied by DOF
- \* From 2012 to 2018, each City had its own Oversight Board (OB)
  - \* City Council acted as Successor Agency
  - \* Seven member OB comprised of various officials appointed by...
    - \* Board of Supervisors, local agency, school districts, etc.

# ROPS, SA, OB

- \* All ROPS and related actions **MUST BE** approved by Successor Agency AND Oversight Board
  - \* ROPS and other actions then submitted to DOF
- \* Prior to SB 107 (2015), ROPS due every 6 months
- \* Since 2016, ROPS now annual submission
  - \* Process much smoother than 9 years ago...
- \* SB 107 also consolidated OBs
  - \* One per county, except Los Angeles
    - \* 5 OBs, one per Supervisorial District



# Montebello's ROPs

- \* Submit ROPS once per year, due by February 1 to DOF
- \* ROPS 21-22 approved by 1<sup>st</sup> District Oversight Board on January 11 (only meeting in January)
- \* Approved ROPS then submitted to DOF
  - \* DOF reviews and issues determination letter
  - \* Determination letter affirms amount of RPTTF to be issued by County Auditor/Controller to Montebello

# Montebello's ROPs

- \* ROPS 21-22 requesting \$8,480,831 in RPTFF for all EOs
  - \* Broken into 6 month periods (“A” and “B”)
    - \* July – December, 2021 / January – June, 2022
  - \* “A” = \$4.972 million
  - \* “B” = \$3.508 million
    - \* Difference mainly due to debt schedule / timing

# Montebello's EOs

- \* All EO's have been routinely accepted/approved by DOF without denials...
  - \* Tax Allocation Bonds, Series 2007A and B
  - \* Housing Tax Allocation Parity Bonds (2002)
  - \* SA Tax Allocation Refunding Bonds (2015A)
  - \* Tax Allocation Parity Refunding Bonds (1999B)
- \* RPTTF now can now only be used (essentially) to repay debt

# RPTTF, Who Gets What

- \* Former RDA project areas generate more property tax (RPTTF) than needed to satisfy EOs
- \* County, local school districts, special districts receive “excess” RPTTF
  - \* “The Waterfall” of revenue
- \* Additional revenue received through “residual” payments
  - \* City of Montebello receives about \$1.0 million/year in residual revenue (General Fund)

# RPTTF, Who Gets What

- \* As EOs “retired,” more excess RPTTF will flow to additional taxing entities
  - \* As debt service paid off....2022, 2024, 2027....
- \* Eventually, all EOs paid off, Successor Agency officially wound down
  - \* Ultimate goal of DOF: wind down of all SAs in the State
  - \* Until then, Montebello will prepare and submit ROPS

\* Questions?



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