



City of Morgan Hill

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Title: PROPOSED ADMINISTRATIVE BUDGET FOR THE PERIOD JULY 1, 2017 THROUGH JUNE 30, 2018 (rops 17-18) AND RECOGNIZED OBLIGATION PAYMENTS SCHEDULE FOR JULY 1, 2017 THROUGH JUNE 30, 2018 (ROPS 17-18)

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Attachments: 1. Admin Budget Reso ROPS 1718, 2. ROPS 17-18 Admin Budget, 3. ROPS 17-18 Resolution, 4. Morgan Hill_ROPS17-18, 5. Notice of No Objection - ROPS 17-18 - Morgan Hill, 6. 02 Supplement 1

Date	Ver.	Action By	Action	Result
1/25/2017	1	Oversight Board		

OVERSIGHT BOARD STAFF REPORT MEETING DATE: JANUARY 25, 2017

PREPARED BY: Monica Delgado, Budget Manager/Administrative Services Department
APPROVED BY: City Manager

PROPOSED ADMINISTRATIVE BUDGET FOR THE PERIOD JULY 1, 2017 THROUGH JUNE 30, 2018 (ROPS 17-18) AND RECOGNIZED OBLIGATION PAYMENTS SCHEDULE FOR JULY 1, 2017 THROUGH JUNE 30, 2018 (ROPS 17-18)

RECOMMENDATION(S):

1. Adopt resolution approving the proposed administrative budget for July 1, 2017 through June 30, 2018 (ROPS 17-18); and
2. Adopt resolution approving the Recognized Obligation Payments Schedule (ROPS) for July 1, 2017 through June 30, 2018.

REPORT NARRATIVE:

Pursuant to Redevelopment Dissolution law, the Successor Agency is required to prepare an administrative budget for each ROPS period. The law provides an administrative cost allowance to be paid annually to the Successor Agency in an amount equal to 3 percent of the approved expenditures from the Redevelopment Property Tax Trust Fund (RPTTF), but not less than \$250,000 per year.

The proposed administrative budget, as attached, is for the twelve-month period commencing July 1, 2017 through June 30, 2018. The proposed administrative budget is primarily staff time for the

oversight and implementation of the Long Range Property Management Plan and staff time to meet the reporting requirements for the dissolution of the former Redevelopment Agency. The amount requested for this ROPS period represents a 31 percent reduction from prior ROPS period, and the number of staff time budgeted for the period represents a 33 percent reduction from prior ROPS, does not account for the unforeseen events that would require additional staff time such as State and other regulatory audits. In addition, Successor Agency staff has been actively working with trustee for the 2013 Refunding Revenue Bonds to invest approximately \$7 million in debt service reserve funds, and the advance annual debt service payments wire by County to the trustee every January 2nd. The pro-active investment approach has yielded approximately \$86,000 in interest and dividends for the calendar year 2016. The additional income, which benefits all taxing entities as it would reduce future debt service payments, would not have been realized if staff time had not been appropriately allocated.

For this twelve-month period, the Successor Agency to the Morgan Hill Redevelopment Agency prepares a schedule of enforceable obligations payable for the respective period. For the period July 1, 2017 through June 30, 2018, there is approximately \$9 million of enforceable obligations - the majority, \$6.9 million, attributable to bond principal and interest payments and \$1.7 million attributable to the repayment of the FY 2010 SERAF/ERAF loan, per the repayment schedule approved by the Oversight Board on March 25, 2015. Proceeds from the repayment are required to be deposited into the Low and Moderate Income Housing Fund (LMIHF). The balance is tied to the implementation of the Long Range Property Management Plan (LRPMP), specifically services that may be required for the disposition of Site 6 (VTA Site), administrative allowance, debt service fees, and items from previous ROPS periods which were overspent based on the authorized versus actual dollars spent during those particular ROPS periods as stated on the ROPS.

It is important for the Oversight Board and California State Department of Finance (DOF) to understand that the costs associated with the LRPMP are preliminary and based upon the assumption of work collaboratively with VTA for Site 6. In the event the plan for Site 6 with VTA does not transpire and the costs necessary to dispose of the property increase from the proposed ROPS 17-18, an amended ROPS 17-18 may be necessary.

AB 1484 permits the County Auditor-Controller to object to the inclusion of any items on the ROPS that is not demonstrated to be an enforceable obligation, and/or to object to the funding source proposed for any item. The County Auditor-Controller must provide notice of this objection to the DOF, the Successor Agency, and the Oversight Board by February 1, 2017. In Santa Clara County, however, the Auditor-Controller has adopted procedures that would provide the Oversight Board with an early review of the ROPS, if the draft is submitted seven business days prior to Oversight Board consideration. Successor Agency staff has worked cooperatively with the County staff throughout the ROPS 17-18 development process. Successor Agency staff submitted the final version of ROPS 17-18 for early review on January 6, 2017. The Successor Agency would like to thank County staff for their collaborative efforts with the development of our ROPS.

AB 1484 also permits DOF to eliminate or modify any items on the ROPS before approving it. DOF must make its determination regarding the enforceable obligations and the amount and funding source for each enforceable obligation listed on the ROPS no later than 45 calendar days after the Oversight Board approved ROPS is submitted by the Successor Agency. Within five business days of DOF's determination, the Successor Agency may request to "meet and confer" with DOF on disputed items.

The Board approved ROPS 17-18 must be submitted to DOF, the State Controller, and the County Auditor-Controller no later than February 1, 2017 or substantial financial penalties may apply (\$10,000 per day against the Successor Agency).

PRIOR BOARD ACTIONS:

Adoption of Resolution OB 15-004 on March 25, 2015 approving the repayment of the loans owed by the former Redevelopment Agency to the LMIHF and authorizing the placement of the repayment schedule on the ROPS beginning on or after July 1, 2015.

FISCAL AND RESOURCE IMPACT:

As shown in the Detailed Administrative Budget, administrative expenditures for FY 17-18 that are eligible to be paid from the Administrative Cost Allowance are \$141,000.

LINKS/ATTACHMENTS:

1. Resolution adopting the proposed Administrative Budget for the period July 1, 2017 through June 30, 2018
2. Detailed Administrative Budget
3. Resolution adopting the proposed ROPS for the period July 1, 2017 through June 30, 2018
4. ROPS 17-18
5. Notice of No Objection - ROPS 17-18