



STAFF REPORT

December 13, 2023
File Number 0440-35

SUBJECT

APPROVAL OF THE FY2024/25 RECOGNIZED OBLIGATION PAYMENT SCHEDULE

DEPARTMENT

Finance

RECOMMENDATION

Request the City Council adopt Resolution No. 2023-149 approving the FY2024/25 Recognized Obligation Payment Schedule (“ROPS”) so that the Successor Agency may continue to make payments due for enforceable obligations.

Staff Recommendation: Approval (Finance: Christina Holmes, Director of Finance)

Presenter: Christina Holmes, Director of Finance

FISCAL ANALYSIS

Under the Redevelopment Dissolution Act, the Successor Agency is responsible for submitting to the County Oversight Board a payment schedule for obligations of the former Redevelopment Agency. The County Oversight Board will forward this payment schedule to the State for approval. Once approved by the State, the County of San Diego will fund the payments from the County Redevelopment Property Tax Trust Fund (RPTTF).

PREVIOUS ACTION

Resolution No. 2022-144 to approve the Recognized Obligation Payment Schedule (ROPS23-24) was approved by the City Council on December 7, 2022.

BACKGROUND

Escondido’s Redevelopment Agency (“Redevelopment Agency”) was established in December 1984 in connection with the adoption of the Escondido Redevelopment Plan (“Plan”) and formation of a Redevelopment Project Area (“Escondido Redevelopment Project Area”). The Redevelopment Agency consisted of the members of the Escondido City Council, although the City and Redevelopment Agency were legally separate entities.



CITY *of* ESCONDIDO

STAFF REPORT

In essence, redevelopment worked for decades by freezing the level of property taxes at the time the Redevelopment Agency adopted the Plan for the Escondido Redevelopment Project Area. During the existence of redevelopment, any increases in taxes went to the Redevelopment Agency, rather than the various entities that would have otherwise received the tax increases. This stream of revenue (the difference between taxes at the time of formation and the amount of increases, which occur over the years) was known as “tax increment” and could be used to pay the principal of and interest on loans, moneys advanced to, or indebtedness incurred by the Redevelopment Agency to finance a redevelopment project.

As part of the 2011 Budget Act, and in order to protect funding for core public services at the local level, the State Legislature approved the dissolution of the state’s 400 plus Redevelopment Agencies (“RDAs”). The State of California’s passage of Assembly Bill X1 26 dissolved RDAs and replaced them with successor agencies effective February 1, 2012. As a result of the elimination of the RDAs, property tax revenues are now being used to pay required payments on existing bonds, other obligations, and pass-through payments to local governments. The remaining property tax revenues that exceed the enforceable obligations are being allocated to cities, counties, special districts, and school and community college districts.

To help facilitate the wind-down process at the local level, successor agencies were established to manage redevelopment projects currently underway, make payments on enforceable obligations, and dispose of redevelopment assets and properties. The City of Escondido elected to serve as the Successor Agency for the Redevelopment Agency.

Pursuant to Health and Safety Code Section 34179(j), on July 1, 2018, one Countywide Oversight Board (“Countywide OB”) was created. The Countywide OB consists of seven members representing agencies in the County and it will continue to oversee and approve the wind down actions of the successor agencies for former redevelopment agencies. As such, all actions of the Successor Agency approved by the City Council will then be submitted to the Countywide OB for approval, and then to the State Department of Finance for final approval.

RECOGNIZED OBLIGATION PAYMENT SCHEDULE OUTSTANDING OBLIGATIONS

The Recognized Obligation Payment Schedule for July 2024 through June 2025 (Exhibit “A”) lists one enforceable obligation of the Redevelopment Agency:

Loan Repayment to Traffic Impact Fund: \$150,000

California Health and Safety Code Section 33445 authorized a redevelopment agency to enter into agreements with the host city to borrow money and accept financial assistance from the city for redevelopment projects located within the agency’s jurisdiction. Because newly formed agency funding was limited to a future, expected stream of tax increment, cities often loaned agencies both staff and



CITY of ESCONDIDO

STAFF REPORT

funding to get redevelopment projects started. By Escondido Community Development Commission (“CDC”) Resolution 1985-07, the Traffic Impact Fund loaned the Redevelopment Agency \$200,000 for certain Nordahl Bridge improvements. Under Section 5 of Resolution No. CDC 85-7, the Commission agreed to reimburse the City for the advance from whatever revenue the Commission is entitled to and to pay interest at the rate of twelve percent (12%) per annum. On December 18, 2012, this Loan was recognized by the Department of Finance to be an enforceable obligation of the Successor Agency.

Listed in ROPS24-25 (Exhibit “A”) is a request for approval of a payment of \$150,000. The \$150,000 total payment will result in an ending loan balance of \$841,890 including accrued interest, summarized in the table below:

FY2023/24 Ending Balance	\$885,616
ROPS24-25 Payment	(150,000)
FY2024/25 Accrued Interest (12%)	106,274
FY2024/25 Ending Balance	\$841,890

RESOLUTIONS

- a. Resolution No. 2023-149
- b. Resolution No. 2023-149 – Exhibit “A” – ROPS 24-25