

FAQs: Unfunded Obligations

Question 1: What is considered as an unfunded obligation?

Response: If the Successor Agency (Agency) did not receive the Finance approved amount of Redevelopment Property Tax Trust Fund (RPTTF) to pay enforceable obligations on a Recognized Obligations Payment Schedule (ROPS), the Agency may list the unpaid obligations on a subsequent ROPS. Finance considers an obligation to be unfunded when both of the following apply:

1. RPTTF distributed by the county auditor controller (CAC) was insufficient to pay all enforceable obligations approved by Finance listed on an approved ROPS; and,
2. Total 6-month approved funding amount was not fully paid or remained unpaid.

Question 2: Under what instance would an unfunded obligation not be considered as “unfunded”?

Response: Instances in which an unfunded obligation would not be considered “unfunded” include an obligation approved for RPTTF funding but the Agency chose to pay the obligation from another fund source available. If the obligation affected by insufficient RPTTF did not remain unfunded and was instead funded with another fund source, Finance will not allow future RPTTF funding for the obligation. In addition, HSC section 34177(a)(4) requires oversight board approval when the Agency changes the previously approved fund source on a ROPS to another fund source to pay for the enforceable obligation.

Also, an obligation approved for RPTTF funding is not considered “unfunded” if the Agency improperly used the RPTTF funding on an obligation not approved by Finance on a ROPS.

Question 3: Will RPTTF approved for unfunded obligations from previous ROPS period impact the administrative cost allowance cap calculation for the current ROPS period?

Response: No. Finance will not include RPTTF approved for unfunded obligations from a previous ROPS period in total RPTTF approved for the current ROPS period when determining the administrative cost allowance cap.

Example: During the ROPS 13-14A period, the Agency requested and Finance approved \$2 million in RPTTF funding for enforceable obligations. In addition, the Agency requested and Finance approved \$500,000 in RPTTF funding for ROPS III unfunded obligations carried forward to the ROPS 13-14A period. Finance’s calculation to determine the administrative cost allowance cap for the ROPS 13-14A period will not include the \$500,000 in RPTTF approved for ROPS III unfunded obligations. The calculated administrative cost allowance cap will be based on the \$2 million RPTTF funding approved for ROPS 13-14A enforceable obligations.

Question 4: Can an Agency place the unfunded portion of their approved administrative costs allowance on a subsequent ROPS?

Response: Yes. Consistent with other non-administrative approved enforceable obligations, if the agencies did not receive the Finance approved RPTTF amount to pay their enforceable obligations, they have the ability to request funding for the unpaid items on a subsequent ROPS. The Agency should note the funding source as “RPTTF” for the unpaid administrative

cost item(s) to avoid reduction in current admin allowance. However, the unfunded administrative costs are subject to Finance's review and approval on a subsequent ROPS before they can be considered enforceable. Refer to definition of an unfunded obligation above.

Question 5: What are the financing options available in the event of an anticipated RPTTF shortfall?

Response: AB 1484 provides agencies with the following financing options:

City/County Loan

Pursuant to HSC sections 34173 (h), the city, county, or city and county that authorized the creation of a redevelopment agency may loan or grant funds to an Agency for administrative costs, enforceable obligations, or project-related expenses at the city's discretion, but the receipt and use of these funds shall be reflected on the ROPS or the administrative budget and therefore are subject to the oversight and approval by the oversight board. An enforceable obligation shall be deemed to be created for the repayment of those loans.

The Agency should execute a loan agreement with terms identifying the loan amount, ROPS items paid for, and loan repayment terms. The loan agreement should be approved by the oversight board.

County Treasurer Loan

Pursuant to HSC section 34183 (c), the county treasurer may loan any funds from the county treasury to the agency for the purpose of paying an item approved on the ROPS at the request of Finance that are necessary to ensure prompt payments of redevelopment agency debts. An enforceable obligation is created for repayment of those loans.

The Agency should execute a loan agreement with terms identifying the loan amount, ROPS items paid for, and loan repayment terms. The loan agreement should be approved by the oversight board.

Insufficient Funds Claim Process

Pursuant to HSC section 34183 (b), if the Agency reports no later than December 1 (for the ROPS covering the second half of the fiscal year) and May 1 (for the ROPS covering the first half of the fiscal year) to the CAC that the total RPTTF available to the Agency is insufficient to fund payments required on an approved ROPS in the next 6-month period, the CAC shall notify the State Controller's Office (SCO) and Finance no later than 10 days from the date of that notification. The CAC shall verify whether the Agency will have sufficient funds from which to service debts according to the ROPS and shall report the findings to the SCO and Finance its determination. If the SCO concurs that there are insufficient funds to pay required debt service, the amount of the deficiency shall be deducted first from the amount remaining to be distributed to taxing entities, and if that amount is exhausted, from amounts available for distribution for administrative costs.

Although Finance is notified of the determinations made by the CAC and SCO, the CAC and SCO have primary responsibilities in the insufficient determination process; Finance is not involved in the insufficient funds claim and approval process.

Debt Service Reserve

To alleviate uneven debt service payments during a ROPS period, HSC section 34171 (d)(1)(A) allows agencies to request for a reserve when required by a bond indenture or when the next

RPTTF allocation will be insufficient to pay all obligations due under the provisions of the bond for the next payment due in the following half of the calendar year.

Question 6: How would an Agency pay a past due pass-through payment to an affected taxing entity (ATE) for periods prior to redevelopment agency dissolution?

Response: The Agency can request funding for past due pass-through items on ROPS which is subject to Finance's review. However, the Agency should be able to demonstrate that the past due pass-through amount is still outstanding. Documents of proof may include signed and executed agreements, audits, legal documents, and financial records.