

Last and Final Recognized Obligation Payment Schedule Frequently Asked Questions

GENERAL

Question 1: How do I know if my agency qualifies to file a Last and Final Recognized Obligation Payment Schedule (Last and Final ROPS)?

Answer: Pursuant to Health and Safety Code (HSC) section 34191.6 (a), agencies that have received a Finding of Completion may file a Last and Final ROPS if all of the following conditions are met:

- The remaining debt is limited to administrative costs and payments pursuant to enforceable obligations with defined payment schedules including, but not limited to, debt service, loan agreements, and contracts.
- All remaining obligations have been previously listed on the ROPS and approved for payment by Finance pursuant to HSC section 34177 (m) or (o).
- The agency is not a party to outstanding/unresolved litigation, except as specified in HSC section 34191.6 (a) (3).

Question 2: When is the deadline for submission of the Last and Final ROPS to Finance and when would it become effective?

Response: Agencies that meet the requirements of HSC section 34191.6 (a) may submit an Oversight Board (OB) approved Last and Final ROPS to Finance at any time. Qualifying agencies may access their Last and Final ROPS template at the Redevelopment Agency Dissolution Application (RAD App).

Pursuant to HSC section 34191.6 (c), Finance has 100 days to review the Last and Final ROPS and communicate its determination to the agency. Any Last and Final ROPS approved less than 15 days prior to the date of property tax distribution shall not be effective until the next property tax distribution date. Agencies should take this into account when planning to submit a Last and Final ROPS.

Question 3: My agency will be submitting a Last and Final ROPS at about the same time the Annual ROPS submission is due. Should the agency submit an Annual ROPS for the current period?

Response: Until a Last and Final ROPS has been approved and has become effective pursuant to HSC section 34191.6 (c), the Agency must continue to prepare and submit an Annual ROPS to Finance. In the event the Last and Final ROPS is not approved, the agency will continue to make payments for obligations pursuant to the most recent approved Annual ROPS.

Question 4: Will all agencies be required to prepare and submit a Last and Final ROPS at some point?

Response: Preparation and submission of a Last and Final ROPS is **optional** and only for those agencies that meet the requirements specified in HSC section 34191.6 (a).

Question 5: My agency meets the requirements for filing a Last and Final ROPS, but payments for some obligations can only be made in the future after certain performance criteria (i.e., construction milestones) have been met. Although we know how much is payable, the obligations do not possess a defined payment schedule. Can the agency still submit a Last and Final ROPS?

Response: Yes. To the extent the obligation amount is known at the time of filing a Last and Final ROPS, but payment will occur in the future, agencies may create a schedule of estimated payments to receive funding over a period of time. However, the total amount requested should not exceed the total obligation amount pursuant to the underlying contract/agreement and not continue beyond the agreement's termination date. In the event the performance criteria are not met and the payment is no longer required, amounts not spent will be trued up at the end through the final prior period adjustment process.

Question 6: My agency meets the requirements for filing a Last and Final ROPS, but some obligations have agreements without defined payment schedules. Instead, the future payments are based on calculations with unknown amounts (i.e., sales tax or tax increment). Therefore, the total obligation amount is unknown. Can the agency still submit a Last and Final ROPS?

Response: No. If an agreement does not have a defined payment schedule, then the agency must renegotiate the agreement in order to include a defined payment schedule. In addition, the amended agreement must comply with HSC section 34181 (e), which requires any contracts, agreements, or other arrangements between the dissolved Redevelopment Agency and any private parties to be renegotiated to reduce liabilities and increase net revenues to the taxing entities.

Question 7: Will obtaining a Last and Final ROPS affect bond refunding?

Response: Some lenders and/or insurers have expressed concern with the limited amount of revisions (two revisions) allowed to an approved Last and Final ROPS pursuant to HSC section 34191.6 (c) (2). Finance does not consider this a concern as statute gives priority to debt service payments and other subordination routes exist.

For agencies wishing to refund their existing bonds, Finance suggests agencies not agree to covenants that require the lender and/or bond insurer's consent before submitting a Last and Final ROPS. As a compromise, covenants could be negotiated to require prior consent before submitting the second amendment to the Last and Final ROPS. This would allow an agency to obtain a Last and Final ROPS while still providing a level of assurance to the lender and/or insurer.

If the agency intends to refund bonds in the near future (i.e. within a year), Finance recommends bonds be refunded prior to submitting a Last and Final ROPS.

Question 8: Finance approved an OB action related to an item on the ROPS. The OB determination letter stated Finance will consider the enforceability of the item once repayment requests are placed on a ROPS. Funding for this item has never been requested during previous ROPS periods. Can the agency submit a Last and Final ROPS?

Response: Yes, the agency is eligible to submit a Last and Final ROPS. However, since the payment request will be listed for the first time on a ROPS, the enforceability of the item is subject to Finance's review on the Last and Final ROPS.

ADMINISTRATIVE COST ALLOWANCE

Question 1: Per HSC section 34171 (b) (3), the administrative cost allowance calculation is now based on the actual property tax distributed in the preceding fiscal year. How do we compute the administrative cost allowance each year going forward when the prior year actual property tax distribution is not available?

Response: Agencies may estimate the administrative costs for each period using the prior year's RPTTF requested amount listed on the Last and Final ROPS as a base figure. However, the administrative costs for each period must be based on the number and nature of the remaining obligations. In addition, the OB is also responsible for assessing the reasonableness of the administrative costs. During Finance's review of the Last and Final ROPS, the administrative cost allowance will be analyzed, discussed, and finalized as appropriate.

SPONSORING ENTITY LOANS

Question 1: We have a loan from the City to the Redevelopment Agency that was found to be made for legitimate redevelopment purposes and was previously approved for funding on a ROPS. Because this repayment is based on a formula, there is no defined payment schedule. We would have to project the amount of repayment due each year going forward. Will this preclude us from filing a Last and Final ROPS?

Response: Agencies will be able to submit a Last and Final ROPS if it meets the requirements of HSC section 34191.6 (a) and Finance has approved the loan payment. Agencies may reasonably estimate the payments to be made in each period until the total obligation would be paid. Agencies should be prepared to provide estimated RPTTF residuals for each period a payment is requested.

Question 2: How would agencies calculate sponsoring entity loan repayments on the Last and Final ROPS?

Response: Agencies may estimate future property taxes available and calculate repayment amounts for each ROPS period. HSC 34191.6 allows agencies filing a Last and Final ROPS to apply a four percent interest rate on the outstanding loan amount calculated on an annual basis until fully paid. Further, agencies may repay sponsoring entity loans subject to the greater of the following:

- 15 percent of the entire moneys remaining in the RPTTF after allocation, or
- One-half of the increase between comparison year and base year residual amounts per the formula specified in HSC section 34191.4 (b) (3).

Agencies need to select either of the above methodologies in calculating repayment amounts. The selected methodology shall be binding for the entirety of the Last and Final ROPS. Please have documentation available for Finance's review to support the estimated residual amounts.

The loan repayment amounts listed in the Finance-approved Last and Final ROPS shall represent the maximum allowable loan repayment amount for each ROPS period. Assume, for example, an agency elects to have sponsoring entity loan repayments calculated based on 15 percent of the RPTTF residuals. If the residuals payable to the affected taxing entities are higher in a given ROPS period than the agency estimated on the approved Last and Final ROPS, the agency will not be allowed to increase the loan repayments to account for the unanticipated growth in residuals.

Question 3: We have a sponsoring entity loan listed on our ROPS. Subsequently, our OB approved the sponsoring entity loan as an enforceable obligation and Finance approved the OB Resolution. However, the funding request was denied because we had no ROPS residuals through the current fiscal year. Therefore, there were no allowable amounts for loan repayments pursuant to HSC section 34191.4 (b). We do expect to have ROPS residuals in the upcoming fiscal year.

Can we submit a Last and Final ROPS with a beginning period that is the same as the next ROPS period, or do we need to wait until the funding request for the repayment is approved on the ROPS?

Response: For agencies to file a Last and Final ROPS, HSC section 34191.6 (a) requires all remaining obligations to have been previously listed on ROPS and approved for payment. By approving the OB action, which found the loan was for legitimate redevelopment purposes pursuant to HSC 34191.4 (b), approval of future payments for this loan is subject to Finance's review of funding requested on the ROPS.

Therefore, if the loan has been listed on a ROPS and funding has been requested on a ROPS, the Agency may submit a Last and Final ROPS. However, the repayment amount of the loan is subject to the maximum allowable amount outlined in HSC section 34191.6 (b) and subject to Finance's review and approval on the Last and Final ROPS.

FOLLOWING LAST AND FINAL ROPS DETERMINATION

Question 1: (a) What happens if Finance disagrees with an item or amount listed on the Last and Final ROPS and the Last and Final ROPS is denied? (b) How would the agency pay for its upcoming obligations?

Answer:

- (a) Finance will work with the Agency to resolve any disagreement during any Last and Final ROPS review. If the disagreement cannot be resolved within the 100-day review period, Finance will deny the Last and Final ROPS.
- (b) Until a Last and Final ROPS has been approved and becomes effective pursuant to HSC section 34191.6 (c), agencies must continue to prepare and submit an annual ROPS to Finance. The agency may continue to make payments for obligations listed on the approved Annual ROPS. The agency will have the opportunity to re-submit a new OB-approved Last and Final ROPS for review in the future.

Question 2: Can an agency request a meet and confer if the agency's Last and Final ROPS is denied by Finance?

Response: No, there is no provision for a meet and confer process on a denied Last and Final ROPS. Finance will make every effort to work with agencies to resolve any disagreement during the 100-day review period. If disagreements are not resolved within the review period and Finance denies the agency's Last and Final ROPS, the agency may re-submit a new OB-approved Last and Final ROPS at any time subsequent to the denial determination.

Question 3: What happens if an agency with an approved Last and Final ROPS receives insufficient RPTTF for payment of obligations listed on the Last and Final ROPS in any given period?

Response: HSC section 34191.6 (c) (5) provides mechanisms for agencies with insufficient RPTTF in any given period to overcome short-term cash flow deficits. For instance, a loan or grant from the sponsoring entity may be used to offset short-term cash flow deficit. Repayment of loans from the sponsoring entity must be made from the funding source approved for the enforceable obligations funded with the loan or grant as soon as funds from that funding source become available. Additionally, such loans shall not accrue interest.

Question 4: Can an agency revise its Last and Final ROPS after it has been approved by Finance?

Response: HSC section 34191.6 (c) (2) (A) allows two amendments to an approved Last and Final ROPS. Such amendments must first be submitted to the OB for approval before submission to Finance. Finance will have 100 days from the date of receipt to approve or deny requests to amend an approved Last and Final ROPS. Amendments approved less than 15 days before the property tax distribution date will be effective in the subsequent property tax distribution period.

The Last and Final ROPS cannot be amended to alter the methodology for calculating sponsoring entity loan repayments.

Question 5: Can an agency with an approved Last and Final ROPS retain revenues from interest, lease rentals, and from the sale of properties pursuant to an approved LRPMP?

Response: Pursuant to HSC section 34191.6 (c) (3), any revenues received by an agency (including proceeds from the sale of properties pursuant to an approved Long-Range Property Management Plan) not authorized for use in the approved Last and Final ROPS must be remitted to the County Auditor-Controller for distribution to affected taxing entities.

Question 6: Can an agency with an approved Last and Final ROPS amend existing contracts?

Response: HSC section 34191.6 (e) allows agencies with an approved Last and Final ROPS to amend or modify existing contracts, agreements, or other arrangements identified on the approved Last and Final ROPS provided:

- Payment of the outstanding amount from the agency is not accelerated.
- The outstanding obligation amount is not increased in any way.
- Any amendment or modification to extend the term of a contract, agreement, or arrangement must not include an extension beyond the last scheduled payment listed the approved Last and Final ROPS.
- No new obligation is created.
- The amount of RPTTF allocated to the agency is not increased.

Question 7: How often would agencies with an approved Last and Final ROPS prepare and submit Prior Period Adjustments to the County Auditor-Controller?

Response: HSC section 34186 (c) requires differences between actual payments and past estimated obligations (prior period adjustment (PPA)) on the ROPS to be reported annually by agencies to the County Auditor-Controller by October 1. Finance interprets this requirement to be applicable for agencies submitting an Annual ROPS as defined in HSC section 34177 (o) (Annual ROPS), as distinguished from agencies with an approved Last and Final ROPS as defined in HSC section 34191.6.

Therefore, if an agency is on a Last and Final ROPS, Finance does not believe an annual PPA is required. However, please check with your County Auditor-Controller for specific requirements. Further, regardless of whether the annual PPA requirement applies to an agency, all agencies are required to remit unencumbered funds to the County Auditor-Controller pursuant to HSC section 34177(d).

Question 8: Would agencies with an approved Last and Final ROPS continue to submit OB Resolutions to Finance?

Response: Agencies are still required to seek authorization and prepare OB Resolutions in accordance with existing HSC provisions. However, pursuant to HSC section 34191.6 (c) (8), agencies with approved Last and Final ROPS are not required to submit any OB Resolutions to Finance except as follows:

1. OB Resolutions approving issuance of refunding bonds.
2. OB Resolutions approving amendments to Last and Final ROPS.
3. The final OB Resolution required to dissolve the agency.

Question 9: What happens if an agency with an approved Last and Final ROPS refunds its existing bonds in the future? Would the agency be required to amend its Last and Final ROPS, or would the agency be able to apply the funding approved for the debt service payments for the existing bonds toward the new refunding bonds?

Response: The agency is required to submit an amended Last and Final ROPS to list the agency's debt service payment obligation for the refunding bonds. Because this item is a new obligation, the agency does not have authority to pay debt services using funds previously approved for the existing bonds. The Agency should contact Finance for further assistance.