Appendix D

Overview and Key Concepts

Successor agencies in turn will use the amounts deposited into their respective accounts for lawful purposes. Under the Act, the County Auditor-Controller is not expected to make substantial changes to current property tax distribution cycles and other basic property tax processes. To that end County Auditor-Controllers are expected to follow other Recognized Obligation Retirement Funds (RORF) for making payments on the principal and interest on loans, and moneys advanced to or indebtedness incurred by the dissolved redevelopment agencies [H&S §34172(d)].

Under the Act, revenues that would have been distributed to RDAs prior to their dissolution will instead be deposited by County Auditors into Redevelopment Property Tax Trust Funds (RPTTF) created in the County Treasury for each dissolved RDA. The County Auditor administers the RPTTF and disburses twice annually from this fund pass-through payments to affected taxing entities.

This disbursement is an amount equal to the total of obligation payments that are required to be paid from tax increment as denoted on the ROPS to RORF established in the treasury of the Successor Agencies.

This disbursement also allows various administrative fees and allowances. Any remaining balance is then distributed by the County Auditor back to affected taxing entities under a prescribed method that accounts for pass-through payments. The County Auditor is also responsible for distributing other moneys received from the Successor Agency (from sale of assets etc.) to the affected taxing entities.

Published guidance for the calculations of tax increment calculations and pass-through Controller actions required under the Act is provided. The guidance further provides a three-day delay in effectiveness for all such actions to allow the State Controller's Office (SCO) the opportunity to request a review.

Broadly speaking under this legislation, the County Auditor-Controller is responsible for the following activities and functions, which can be classified as one-time or ongoing.

One-time Functions:

1. Causing or performing an "agreed upon procedures" audit of each RDA being dissolved within the county. As this is an "audit" activity rather than a property tax administration function, it will not be covered in further in this report.
2. Establishing new Redevelopment Property Tax Trust Fund (RPTTF) for each RDA.
3. Reporting.

Ongoing Functions:

1. Calculating the amount of Property Tax Revenues that would have been due the former RDA as Tax Increment.
2. Administering the RPTTF, including deposits, distributions and reporting of related activities.
3. Distributing other moneys received from the Successor Agency (proceeds for asset sales and unencumbered funds) and related reporting.

All actions taken by the County Auditor-Controller related to this legislation are not effective for three business days subject to review by the State Controller.

One-time activities when the RDA enters dissolution:

1. Cause Audit of RDA – addressed in other guidelines
2. Creation of Redevelopment Property Tax Trust Funds:
    a. For each RDA entering dissolution the county auditor-controller shall create a Redevelopment Property Tax Trust Fund (RPTTF) in the county treasury [H&S §34170.5(b) & H&S §34185]
    b. The RPTTF should be set up as interest bearing.
    c. The county auditor-controller shall administer the RPTTF for the benefit of the holders of enforceable obligations and taxing that receive pass-through payments and other distributions under this part [H&S §34182(c)(2)]
    d. Accounting should be done at the Project Area level and county auditor-controllers may wish to consider establishing separate accounts within the RPTTF (or separate RPTTFs) for RDAs with separate project areas to facilitate accounting and reporting.

This reporting described in 2(b) should be summarized by each RDA and detailed by project area if appropriate. Pass-through payments and residual distributions should also be reported at the affected taxing entity level.

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Results of First-Year Reporting

By October 1, 2012, report to the DOF and SCO the following specialized reporting for first year ending June 30, 2012 [H&S §34182(d)]. Copies of these reports should also be provided to Successor Agencies so that they may meet their reporting requirements to Affected Taxing Entities (ATE) as well as to the Affected Taxing Entities themselves.

The reports are required to contain the following:

1. Property Tax Revenues deposited to the RPTTF.
2. Pass-through payments made to Affected Taxing Entities.
3. Identification of Residual Entities.
4. Any reductions to distributions moneys available to satisfy enforceable obligations, ROPS payments remitted to Successor Agencies.
5. Administrative Cost Allowances paid to Successor Agencies.

Ongoing activities of the County Auditor regarding the RDA dissolution

1. Calculation of Property Tax Revenues: The Property Tax Revenues (the tax increment that would have gone to the RDA as if it still existed - see Chapter E-3 of the Property Tax Managers Reference Manual) to the extent possible are to be deposited following the county's regular distribution cycles into each RDA's RPTTF as follows:
    a. Calculate the Secured (including State Assessed) & Unsecured Tax Increment using the August 20th equalized roll [§34182(c)] due the former RDA.
    b. Deposit into the RPTTF the amounts of tax increment calculated above for:
        i. Secured
        ii. Unsecured
    c. Supplemental & unitary revenues due the former RDA are to be deposited into the trust fund as normally apportioned.
    d. If necessary, the amount of tax revenues calculated to be due the Successor Agency should be reduced for both any annual tax increment caps in the former RDA's plan [H&S §34182(c)(1)]and the "Wind Down" reduction amount per H&S §34187. The "Wind Down" reduction amount is required when obligations on the prior ROPS have been paid-off, matured or otherwise been satisfied. Note that the "wind down" reduction amount may need to be reduced under certain situations.
    e. For FY 2011-12 forward, do not give the former RDA's Successor Agency any property tax revenue for pre-1989 bonds for the acquisition or improvement of real property [H&S §34183(a)(1)]. Note that some RDAs may have pledged or may otherwise be dependent on the Tax Increment related to pre-1989 bonds to have sufficient funds for debt service. In this situation, it is suggested that the DOF and SCO be contacted for specific guidance.
    f. Administration of the RDA's RPTTF - the RPTTF for each former RDA dissolved under this legislation is administered by the county auditor-controller for the benefit of holders of former RDAs' enforceable obligations and the taxing entities that receive pass-through payments and other distributions pursuant to Part 1.85 starting with H&S §34170. Administration of the RPTTF consists of three basic functions: deposits, distributions and reporting. The legislation defines that most distributions are to be performed twice each year:
        i. Deposits: The Auditor is to deposit property tax revenues that would have been distributed to the former RDA as tax increment had this bill not been enacted.

ii. Distributions from the RPTTF: Distributions of the property tax revenues deposited into each former RDA's RPTTF are to be made in this priority:
    1. Administration fees to Auditor for administering this Act & to the County Property Tax Administration fees (SB 2557 etc.)
    2. Pass-through Payments
    3. Obligation Payments on the ROPS that are required to be paid from Property Taxes
    4. Successor Agency Administrative Cost Allowance
    5. Invoices from the SCO for Audit & Oversight
    6. Residual Balance: Before any amounts other than property tax administrative fees due the Auditor-Controller/County are to be distributed out of the RPTTF, a series of calculations must be performed to determine whether the amounts to be distributed as pass-through payments exceed the cap put in place by this legislation. In essence, the legislation limits an ATE distribution to no more than the ATE share of the residual distribution calculated as if no pass-through payment was made. Should an ATE pass-through payment exceed this calculated amount it must be reduced. If, however, the pass-through payment is less than this limit, then the ATE is to receive an additional payment from the residual balance so that when added to the pass-through payment it equals the calculated cap.

g. Do not distribute the pass-through payments at this time as they may require further adjustments. See III (C)(3)(b)(vi) – Residual Balance for possible adjustment.

h. ATE property tax shares for purpose of calculating the pass-through payments and possible adjustment required under H&S §34188(a) are to be determined on the current property tax allocation laws at the time of the calculation [H&S §34188(b)].

i. Differences between actual payments made and the estimated obligations on the ROPS must be reported on the subsequent ROPS. The Auditor-Controller shall adjust the amount to be transferred to the Successor Agency for deposit into its Redevelopment Obligation Retirement Funds (RORF) for payments listed on its ROPS. The amounts and accounts shall be subject to audit by auditor-controllers and the SCO.

j. Agency administrative cost allowance per H&S §34186]:
    i. Step 1. Determine the amount of RPTTF to be distributed. This is the actual amount of cash available for distribution after distributions.
    ii. Step 2. Determine funds available to be distributed after deducting the ROPS payments and Successor Agency's Administrative Cost Allowance, subtract the amount of the ROPS payment, subtract the amount of the Successor Agency's Administrative Cost Allowance.
    iii. Step 3. Determine sum by ATE - the amount of pass-through payments distributed. Reporting of actual amounts distributed is currently only required by code for the year ending June 30, 2012. This report is to be remitted to the SCO and DOF by October 1,

2012. It is recommended that this report be also remitted to the related Successor Agency and its affected taxing entities. While reporting of subsequent year actual distribution amounts are not currently required, it is recommended that subsequent year distributions also be reported in the same manner [H&S §34182(d)].

Other direction for County Auditors

The County Auditor should calculate factors based on Property Taxes that would have gone to ATE had it not been for the RDA. They should not use the Tax Rate Areas (TRA) allocation factors, as these only reflect the proportionate share of future taxes to be allocated.

The County Auditor is required to distribute other moneys received from the Successor Agency as it wraps up the affairs of the former RDA. These moneys could be the Proceeds from Asset Sales [H&S §34177(e)] and Unencumbered Fund Balances [H&S §34177(d)] submitted by the Successor Agency.

These other moneys are not to be deposited into the RPTTF, as the legislation also does not specifically allow it.

Furthermore, it has been interpreted that the RPTTF is restricted for only the administration of Property Tax Revenues (Tax Increment that would have gone to former RDA). Accordingly, other moneys if not distributed as of the date of receipt by the County Auditor will need to be deposited into another trust/clearing fund administered by the County Auditor.

These moneys are to be distributed under the methodology set forth under H&S §34188, which requires the distribution to be based upon each ATE proportional share of property tax revenues in the TRA in that fiscal year.

The legislation does not specify any timeframes or other requirements as to when Successor Agencies are to remit the other moneys to County Auditors nor does it specify timeframes for auditors to perform the required distribution of such other moneys received to taxing entities. It is suggested that County Auditors distribute these funds as of the same day the other revenues are received. Otherwise, the other moneys will need to be deposited into trust/clearing fund separate from the Redevelopment Property Tax Trust Fund for the respective Successor Agency.

Starting January 1, 2012, the ROPS supersedes the Statement of Indebtedness (SOI), which no longer needs to be prepared [H&S §34177(a)(3)] for those RDAs under the Dissolution Act.

No specific changes are required to county's current property tax distribution cycles by this legislation. However, if current processes would not allow sufficient amounts of property tax revenues to be deposited timely enough to make the required distribution dates, a county may need to modify its processes.

The following reporting is required of the County Auditor-Controller:

1. Property Tax Revenues or Sums Remitted or Paid:
    a. To the RPTTF related to each former RDA
    b. To each agency receiving pass-through payments
    c. To each Successor Agency for payments on the ROPS
    d. To each Successor Agency for the administrative cost allowance
    e. To each ATE for any residual balance
    f. Any amounts deducted from other distributions due to insufficient funds [H&S §34182d)(1-6)]
2. Key Dates:
    a. On and after February 1, 2012, and until a ROPS becomes operative, only payments required pursuant to an enforceable obligations payment schedule shall be made. The initial enforceable obligation payment schedule shall be the last schedule adopted by the RDA under H&S 34169. However, payments associated with obligations excluded from the definition of enforceable obligations by paragraph (2) of subdivision (d) of H&S 34171 shall be excluded from the enforceable obligations payment schedule and be removed from the last schedule adopted by the RDA under H&S 34169 prior to the Successor Agency adopting it as its enforceable obligations payment schedule pursuant to this subdivision.
    b. From February 1, 2012 to July 1, 2012, a Successor Agency shall have no authority and is hereby prohibited from accelerating payment or making any lump-sum payments that are intended to prepay loans unless such accelerated repayments were required prior to the effective date of this part.
    c. By April 15, 2012, for the period of February 1, 2012 to June 30, 2012 inclusive the Successor Agency is to submit the first ROPS to the SCO and the DOF.
    d. Commencing on May 1, 2012, only those payments listed in the ROPS may be made by the Successor Agency from the funds specified in the ROPS.
    e. Commencing January 1, 2012, the ROPS supersedes the Statement of Indebtedness, which shall no longer to be prepared nor have any effect under the Community Redevelopment Law.