

Recognized Obligation Payment Schedule (ROPS) 15-16 A

Oversight Board for Successor Agency
to the City of Santa Clara

March 5, 2015

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ROPS Process

- ROPS prepared by the Successor Agency
- Successor Agency submits to Oversight Board for approval
- County can file an objection letter to any item on the ROPS
- Successor Agency submits the **Oversight Board approved ROPS** to DOF. Items not approved by Oversight Board do not get submitted to DOF.

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City and Successor Agency



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Flow of Funds from ROPS

Income from Property Tax (RPTTF)

+ Income from Other Sources

- Due Diligence Review
- Lease Property Income**

Total Revenue

Minus Obligations approved on ROPS

- Debt
 - Other Obligations
 - Administrative Allowance
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Equals Amount Distributed to Taxing Agencies

** Amount subject to ongoing litigation

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Distribution of Funds

Every six months all funds not needed to pay for obligations are distributed to taxing agencies including:

Santa Clara Unified School District	38%
County of Santa Clara	18.8 %
City of Santa Clara	10 %
West Valley Mission Community College	11.2%
County Office of Education	3.9%
Santa Clara Valley Water District	2.3%
Other Taxing Agencies	15.6%

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ROPS 15-16A Overview: Context

- On-going litigation: County of Santa Clara, County Office of Education, SCUSD v. City, Successor Agency and related entities
- Return of the property to the Successor Agency **requires Successor Agency to assume the enforceable obligations associated with the properties**

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Hyatt and Techmart Leases

- Hyatt and Techmart Leases are being returned to Successor Agency. They provide:
 - Landlord obligated to share on costs of maintenance and operations of common area
 - Tenant contributes to maintenance district
 - Priority rights over common area parking areas, including parking structure
 - Easements for ingress and egress over main drives

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Additional Obligations in Hyatt Lease

- Landlord Obligations (i.e., Successor Agency obligations) re: Convention Center
 - Construct, maintain and operate Convention Center for 50 years
 - Repair any damage to the Convention Center

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County Objection Letter

- County Objection letter states “the Auditor-Controller has grave concerns regarding whether the Hotel Ground Lease is a valid enforceable obligation with regard to...maintenance and operations.”

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Hotel Lease obligation to operation and maintain Convention Center

- Four main areas of financial responsibility:
- A. Daily operation of the facility
 - B. Marketing for future conventions
 - C. Capital repair/replacement of Convention Center improvements
 - D. Maintenance District

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A) Daily Operation of the Convention Center

- Line 36 – Convention Center Management
\$3,712,719 – SA request including \$500k reserves
County objection letter (deletes reserves but funds a portion of the operational expenses)

Management Agreement states:

“Services performed by the Chamber shall include, but not limited to the following:

(a) market, advertise, and promote Convention Center...which will include subcontracting with CVB...”

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A) Daily Operation of the Convention Center

- Line 37 – Convention Center Cash Flow Funding
\$1,639,958 – SA request to fund expenses prior to receipt of income
\$0 – County objection letter

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Line 37 – Convention Center Cash Flow Funding (\$1,639,958)

- Addresses uneven timing between revenue and expenditures. Cash flow funding is used when available revenues do not match expenses
- Operator does not have funds to make advances on behalf of owner
- **County objection letter (\$0.00).**
- **Center will not have funds available to pay expenses/payroll of more than 200 people when due, effectively shutting down the Convention Center.**

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B) Marketing for Future Conventions

- Line 39 – CVB Marketing Agreement (\$982,519)
- Marketing and booking of the Convention Center necessary for operations
- Marketing to meeting planners cannot be confined to marketing of convention center premises only - visibility of key venues attracts convention center bookings
- **County objection letter (\$0.00)**
- **Contract represents 17 jobs**

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C) Capital Repair/Replacement

- Line 38 – Convention Center Capital Improvements (\$1,491,000)
- SA request on ROPS 15-16A:
300 Chrome chairs; 2,400 Banquet chairs; Carpet; Exhibit Hall Lighting (Phase 1) and \$500,000 Emergency Repair/Replacement
- **County objection letter (\$0.00)**

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D) Maintenance District

- Line 40 – (\$602,424)
- Convention Center obligated to participate per leases
- Convention Center has historically paid annual assessment in Q1 for cash flow.
- Tenants (Hyatt and Techmart) billed based on tax due dates (Dec/April)
- **County objection letter (\$301,212).**
- **Not enough funds available to run assessment district through December 2015**

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Other Items – Line 42

- Successor Agency staff costs - **\$46,000**
- For work related to Convention Center Properties (administrative contract management; Accounting and Treasury services)
- Dissolution Act allows for project related staff costs outside of administrative budget
- **County objection letter (\$0.00)**

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Other Items – Line 43

- Line 43 - Reimbursement of City costs on Convention Center operation since January 2011 (**\$7,758,137**)
- All revenues associated with Convention Center Properties ordered to be transferred to Successor Agency
- Obligations associated with the generation of revenue must be accounted for
- City has paid to fulfill obligations associated with property ownership *without* the contractual rental income to avoid any default.

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Reimbursement of City Costs

\$	557,633	• FY 10-11 (partial)
\$	1,763,830	• FY 11-12
\$	1,218,464	• FY 12-13
\$	1,551,678	• FY 13-14
\$	<u>2,666,532</u>	• FY 14-15 (budget updated to include additional \$576,720 shortfall for FY)
\$	7,758,137	Total General Fund allocation

County objection letter (\$0.00)

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Summary of Convention Center Lines

- When the property is transferred, City cannot continue to fund obligations
- Governor's Budget Trailer Bill seeks to make loans made by cities to successor agencies retroactively invalid therefore the City cannot step into SA shoes.

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Comparison of SA Proposed ROPS and County Alternate ROPS

Total Successor Agency ROPS Request: \$64.2 million

Total County Alternate ROPS: \$51.4 million

Difference Available for Distribution: **\$12.8 million**

SCUSD	38%	\$4.9 million
County	18.8 %	\$2.4 million
City of Santa Clara	10 %	\$1.2 million
WVM Community College	11.2%	\$1.4 million
County Office of Education	3.9%	\$500k
SCV Water District	2.3%	\$300k
Other Taxing Agencies	15.6%	

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