

# Recognized Obligation Payment Schedule (ROPS) 15-16 A

Oversight Board for Successor Agency  
to the City of Santa Clara  
February 27, 2015

# Successor Agency

- Successor Agency is a separate legal entity from the City
- Successor Agency assets and liabilities are separate from the City's assets and liabilities
- City is not responsible for Successor Agency liabilities or obligations

# Successor Agency Governance

City Council sits as nominal governing board of Successor Agency. Almost all actions must be approved by the Oversight Board:

Oversight Board must approve:

- All expenditures of funds via approval of ROPS
- Disposition of all property
- Amendments to any contracts or agreements
- Termination of any contracts

# ROPS Process

- ROPS prepared by the Successor Agency
- Successor Agency submits to Oversight Board for approval
- Successor Agency submits the Oversight Board approved ROPS to DOF. Items not approved by Oversight Board do not get submitted to DOF.

# Oversight Board

- All Oversight Board actions are subject to review by the Department of Finance (DOF) and are not effective until five days after sent to DOF
- If DOF elects to review actions, action is not effective until approved by DOF

# ROPS Process

- DOF makes determination of enforceable obligations within 45 days of submission
- Within 5 days of DOF determination Successor Agency can request meet and confer on disputed issues – only issues that can be addressed in meet and confer are items on the Oversight Board approved ROPS.

# City and Successor Agency

City of  
Santa Clara

Successor  
Agency

Oversight  
Board

Department  
of Finance

- Separate legal entity
- Governed by Council
- No spending authority w/o Oversight Board approval
- Any available funds are distributed to taxing agencies
- Approves all expenditures
- Submits ROPS to DOF
- Reviews items submitted on ROPS
- Final approval authority

# Successor Agency Funds and Expenditures

- Successor Agency expenditures limited to amounts on a DOF-approved ROPS
- All ROPS are subject to Prior Period Adjustments – if funds allocated on a ROPS are not spent during ROPS period, unspent amount offsets distributions to the Successor Agency in subsequent ROPS periods
- County Auditor Controller and State Controller have authority to audit all expenditures of Successor Agency.

# ROPS 15-16A Overview: Context

- There is on-going litigation: County of Santa Clara, County Office of Education, SCUSD v. City, Successor Agency and related entities
- City is under Court Order to return property and assets to Successor Agency
- Return of the property to the Successor Agency requires Successor Agency to assume the enforceable obligations associated with the properties

# Hyatt and Techmart Leases

- Hyatt and Techmart Leases are being returned to Successor Agency
- Both Hyatt and Techmart leases 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

# Additional Obligations in Hyatt Lease

- Right to use the Ballroom and Recreation facilities
- Landlord Obligations re: Convention Center
  - Construct, maintain and operate Convention Center for 50 years
  - Repair any damage to the Convention Center

# Obligation to operate 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

# A) Daily Operation of the Convention Center

- Line 36 – Convention Center Management
- Line 37 – Convention Center Cash Flow Funding
- Line 41 – Property Insurance

# Line 36 – Convention Center Management (\$3,712,719)

- Contract with Chamber of Commerce
- Provide daily oversight of facility
- Contracts to provide services in the building (F&B, labor, security, janitorial, etc).
- Administers contracts for facility rentals: trade shows, conventions, events, meetings, etc.
- Manages budget and provides quarterly reports
- Include \$500,000 emergency reserves

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

- Amount equal to 25% of annual budget
- Addresses uneven timing between revenue and expenditures
- Operator does not have funds to make advances on behalf of owner
- Cash flow funding is used when available revenues do not match expenses
- Any remaining funds can be swept back to Successor Agency

## 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

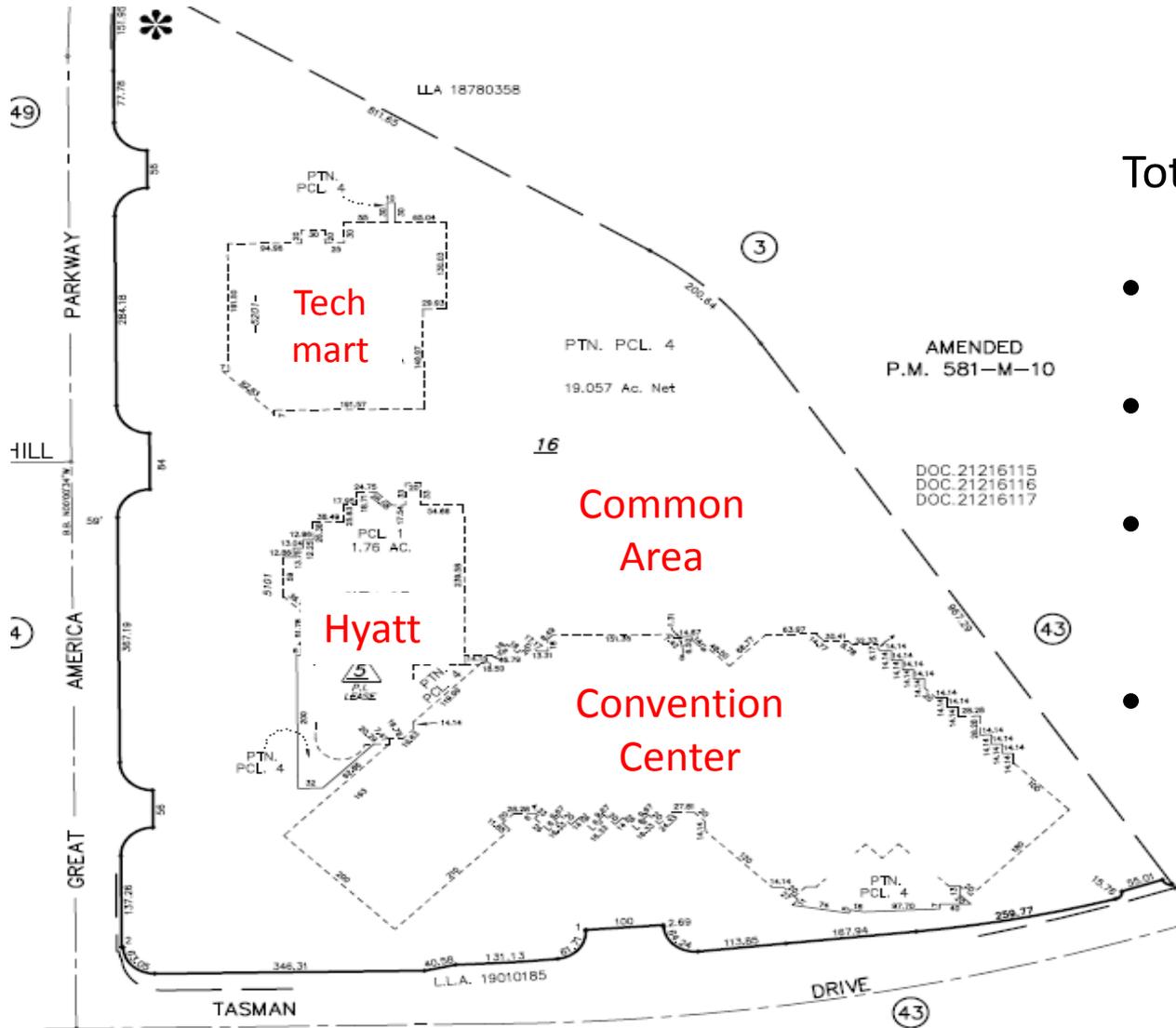
# C) Capital Repair/Replacement

- Line 38 – Convention Center Capital Improvements (\$1,491,000)
- Identified projects - \$9,939,500 presuming no system failures/emergency replacements
- ROPS 15-16A:
  - Chrome chairs (300)
  - Banquet chairs (2,400)
  - Carpet
  - Exhibit Hall Lighting (Phase 1)
  - \$500,000 Emergency Repair/Replacement

# D) Maintenance District

- Line 40 – (\$602,424)
- Owners of Hyatt, Techmart and Convention Center are all members of the District
- Convention Center obligated to participate per leases
- Convention Center has historically paid annual assessment in Q1 for cash flow.
- Tenants billed based on tax due dates (Dec/April)

# Santa Clara Convention Center



Total: 28.57 acres

- Hyatt – 1.76
- Techmart – 1.58 acres
- Convention Center – 6.17 acres
- Common Area – 19.06 acres

# 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

# 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

# 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)
\$	<b>7,758,137</b>	Total General Fund subsidy

# 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
- Any funds used by the City for the benefit of the Successor Agency to fulfill SA obligations will be akin to a donation to taxing agencies at the expense of the General Fund

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# Common Areas



- Common areas constructed via contributions from all users.
- All parking area, driveways and parking structure
- Common areas now maintained through a Maintenance District
- As provided in leases, all property owners are members of the Maintenance District

# Maintenance District 183

- FY 14-15 budget: \$1,344,086
- Services include:
  - Property management; landscaping, electrical, parking management, and security (\$929,443)
  - Utilities (\$172,296)
  - Maintenance (\$165,000)
- *Approximate* allocation of expenses:
  - Convention Center 45%
  - Hyatt 25%
  - Techmart 30%

