



Transmitted via e-mail

May 16, 2025

Stephan Christensen, Office of Performance Management & Budget Director  
City of Modesto  
1010 Tenth Street  
Modesto, CA 95354

### **2025-26 Annual Recognized Obligation Payment Schedule**

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 11, 2025. Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Modesto Successor Agency (Agency) submitted an annual ROPS for the period July 1, 2025 through June 30, 2026 (ROPS 25-26) to Finance on January 31, 2025. The Agency requested a Meet and Confer on one or more of the determinations made by Finance. The Meet and Confer was held on April 28, 2025.

Based on a review of additional information and documentation provided to Finance during the Meet and Confer process, Finance has completed its review of the specific determinations being disputed.

- Item No. 22 – City Loans in the total outstanding amount of \$4,108,500 are partially approved. This item was previously denied in multiple ROPS determination letters dated between April 15, 2022 and March 8, 2024, where the Agency has previously requested funding for 32 outstanding loans funded by the City of Modesto (City), totaling \$20,129,400. The City loans were also denied in Finance's Oversight Board (OB) Resolution No. 2022-18 determination letter dated March 11, 2022. On the ROPS 25-26, the Agency has reduced the total outstanding balance of City loans to \$4,108,500, which includes four loans.

During the Meet and Confer, the Agency provided documents such as financial records, City Council Resolutions, and Oversight Board Resolutions in which it was determined the loans for \$2,200,000 and \$640,000, totaling \$2,840,000, related to land acquisition and architectural costs of the Modesto Centre Plaza, meet the requirements of a loan agreement pursuant to HSC section 34171 (d) (2) as these two loans were made within two years of the date of creation of the former Redevelopment Agency (RDA). However, the loans for \$1,187,500 related to the Modesto Centre Plaza and \$81,000 related to the Lincoln School Site were entered into more than two years after the creation of the RDA and do not meet the requirements of HSC section 34171 (d) (2). Therefore, the total outstanding loan balance reported on the Agency's ROPS has been reduced by \$1,268,500 from \$4,108,500 to \$2,840,000.

The requested \$1,500,000 in Redevelopment Property Tax Trust Fund (RPTTF) funding for the fiscal year does not exceed the repayment formula outlined in HSC section 34191.4 (b) (3) (A). Therefore, Finance approves the requested RPTTF funding of \$1,500,000 to be applied toward the outstanding balances of the approved two loans for \$2,200,000 and \$640,000, totaling \$2,840,000. The Agency intends to pay off the \$640,000 loan in full and apply the remaining balance of \$860,000 toward the \$2,200,000 loan.

In addition, per Finance's letter dated April 11, 2025, we continue to make the following determinations not contested by the Agency during the Meet and Confer review:

- Item No. 3 – Owner's Participation Agreement (OPA) in the requested amount of \$44,000 is partially allowed. It is our understanding the OPA between the Agency and Westland Development Company, LLC (Westland) states the Agency is obligated to reimburse Westland for parking fees. Based on supporting documentation, the annual amount of the parking fees is \$35,572. Therefore, of the requested \$44,000, the excess \$8,428 is not eligible for RPTTF funding.

Pursuant to HSC section 34186, successor agencies are required to report differences between actual payments and past estimated obligations (prior period adjustments) for the July 1, 2022 through June 30, 2023 (ROPS 22-23) period. The ROPS 22-23 prior period adjustment (PPA) will offset the ROPS 25-26 RPTTF distribution. The amount of RPTTF authorized includes the PPA resulting from the County Auditor-Controller's review of the PPA form submitted by the Agency.

The Agency's maximum approved RPTTF distribution for the reporting period is \$2,579,243, as summarized in the Approved RPTTF Distribution table (see Attachment).

RPTTF distributions occur biannually, one distribution for the July 1, 2025 through December 31, 2025 period (ROPS A period), and one distribution for the January 1, 2026 through June 30, 2026 period (ROPS B period), based on Finance's approved amounts. Since this determination is for the entire ROPS 25-26 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

This is our final determination regarding the obligations listed on the ROPS 25-26. This determination only applies to items when funding was requested for the 12-month period. If a determination by Finance in a previous ROPS is currently the subject of litigation, the item will continue to reflect the determination until the matter is resolved.

The ROPS 25-26 form submitted by the Agency and this determination letter will be posted on our website:

<http://dof.ca.gov/Programs/Redevelopment/ROPS/>

This determination is effective for the ROPS 25-26 period only and should not be conclusively relied upon for future ROPS periods. All items listed on a future ROPS are subject to Finance's review and may be adjusted even if not adjusted on this ROPS or a preceding ROPS. The only exception is for items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). Finance's review of Final and Conclusive items is limited to confirming the scheduled payments as required by the obligation.

The amount available from the RPTTF is the same as the amount of property tax increment available prior to the enactment of the redevelopment dissolution law. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax increment is limited to the amount of funding available to the Agency in the RPTTF.

Please direct inquiries to [RedevelopmentAdministration@dof.ca.gov](mailto:RedevelopmentAdministration@dof.ca.gov).

Sincerely,

Original signed by:

Cheryl L. McCormick, CPA  
Chief, Office of State Audits and Evaluations

cc: Kacey Culbertson, Senior Financial Analyst, City of Modesto  
Nathan Amarante, Property Tax Manager/Countywide Oversight Board  
Representative, Stanislaus County

**Attachment**

Approved RPTTF Distribution July 2025 through June 2026			
	ROPS A	ROPS B	Total
RPTTF Requested	\$ 1,754,869	\$ 983,519	\$ 2,738,388
Administrative RPTTF Requested	76,047	76,049	152,096
<b>Total RPTTF Requested</b>	<b>1,830,916</b>	<b>1,059,568</b>	<b>2,890,484</b>
<b>RPTTF Requested</b>	<b>1,754,869</b>	<b>983,519</b>	<b>2,738,388</b>
<u>Adjustment(s)</u>			
Item No. 3	0	(8,428)	(8,428)
<b>RPTTF Authorized</b>	<b>1,754,869</b>	<b>975,091</b>	<b>2,729,960</b>
<b>Administrative RPTTF Authorized</b>	<b>76,047</b>	<b>76,049</b>	<b>152,096</b>
ROPS 22-23 Prior Period Adjustment (PPA)	(302,813)	0	(302,813)
<b>Total RPTTF Approved for Distribution</b>	<b>\$ 1,528,103</b>	<b>\$ 1,051,140</b>	<b>\$ 2,579,243</b>