



Transmitted via e-mail

February 28, 2025

Roger Sanchez, Administrative Services Director
City of Shafter
336 Pacific Avenue
Shafter, CA 93263

2025-26 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Shafter Successor Agency (Agency) submitted an annual Recognized Obligation Payment Schedule for the period July 1, 2025 through June 30, 2026 (ROPS 25-26) to the California Department of Finance (Finance) on February 6, 2025. Finance has completed its review of the ROPS 25-26.

Based on a sample of line items reviewed and application of the law, Finance approves all the items listed on the ROPS 25-26 at this time. However, Finance notes the following:

- Item No. 4 – Loan Agreement in the total outstanding amount of \$500,000 is overstated. Pursuant to HSC section 34191.4 (b) (3), interest on the remaining outstanding principal amount of the loan shall be recalculated from the date of origination of the loan on a quarterly basis, at a simple interest rate of three percent and repayments shall be applied first to principal, and second to interest. The total outstanding loan balance includes repayments applied to interest prior to principal. After adjusting applied payments, the total outstanding loan balance reported on the Agency's ROPS Detail Form has been reduced by \$15,859 to \$484,141. However, since the amount of \$180,000 in Redevelopment Property Tax Trust Fund (RPTTF) requested for the fiscal year does not exceed the repayment formula outlined in HSC section 34191.4 (b) (3) (A), Finance approves the requested amount.
- The administrative costs claimed are within the fiscal year administrative cap pursuant to HSC section 34171 (b) (3). However, Finance notes the Oversight Board (OB) approved an amount that appears excessive, given the number and nature of the obligations listed on the ROPS. HSC section 34179 (i) requires the OB to exercise a fiduciary duty to the taxing entities. Therefore, Finance encourages the OB to apply adequate oversight when evaluating the administrative resources necessary to successfully wind-down the Agency.

The County Auditor-Controller did not provide its review of the Agency's prior period adjustments for the ROPS 22-23 period as required by HSC section 34186. On the ROPS 25-26 form, the Agency reported cash balances and activities for the ROPS 22-23 period. Therefore, Finance reviewed the ROPS 22-23 expenditures and determined the Agency has no prior period adjustment.

The Agency's maximum approved RPTTF distribution for the reporting period is \$1,339,058, 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.

Except for the adjusted item, Finance approves the remaining items listed on the ROPS 25-26 at this time. If the Agency disagrees with our determination with respect to any items on the ROPS 25-26, except items which are the subject of litigation disputing our previous or related determinations, the Agency may request a Meet and Confer within five business days from the date of this letter. The Agency must use the RAD App to complete and submit its Meet and Confer request form. The Meet and Confer process and guidelines are available on our website:

http://dof.ca.gov/Programs/Redevelopment/Meet_And_Confer/

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.

Roger Sanchez
February 28, 2025
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Please direct inquiries to RedevelopmentAdministration@dof.ca.gov.

Sincerely,

Original signed by:

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

cc: Lance Lippincott, City Manager, City of Shafter
Aimee Espinoza, County Auditor-Controller, Kern County
Amanda Ruiz, Countywide Oversight Board Representative

Attachment

Approved RPTTF Distribution July 2025 through June 2026			
	ROPS A	ROPS B	Total
RPTTF Requested	\$ 831,796	\$ 257,262	\$ 1,089,058
Administrative RPTTF Requested	125,000	125,000	250,000
Total RPTTF Requested	956,796	382,262	1,339,058
RPTTF Authorized	831,796	257,262	1,089,058
Administrative RPTTF Authorized	125,000	125,000	250,000
Total RPTTF Approved for Distribution	\$ 956,796	\$ 382,262	\$ 1,339,058