



Transmitted via e-mail

April 15, 2022

Norman Veloso, Finance Director
City of San Pablo
1000 Gateway Avenue
San Pablo, CA 94806

2022-23 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of San Pablo Successor Agency (Agency) submitted an annual Recognized Obligation Payment Schedule for the period July 1, 2022 through June 30, 2023 (ROPS 22-23) to the California Department of Finance (Finance) on January 31, 2022. Finance has completed its review of the ROPS 22-23.

Based on a sample of line items reviewed and application of the law, Finance made the following determinations:

- Item No. 48 – Legal Services requested in the amount of \$15,000 are considered a general administrative cost and have been reclassified from Redevelopment Property Tax Trust Fund (RPTTF) to Administrative RPTTF.
- Item No. 50 – Loan from the City for fiscal years 2016-17 through 2019-20 in the total outstanding amount of \$1,996,683 is not allowed. Finance continues to deny this item. The Agency contends approved funding was not sufficient to pay obligations; therefore, received funding from the City of San Pablo to make their payments.

Health and Safety Code section 34173 (h) authorizes cities and counties to loan funds to a successor agency for certain costs only to the extent that the successor agency receives an insufficient distribution from the RPTTF or other approved sources to pay for approved enforceable obligations in the current Recognized Obligation Payment Schedule (ROPS) period. To the extent such facts exist and a city or county determines to make loan for such insufficiencies, a loan repayment can qualify as an enforceable obligation.

When a successor agency requests approval for repayment of a purported loan received under HSC section 34173 (h), the review of such request involves determining whether there was a shortfall and whether a loan was made (rather than a grant). No loan can be approved if there was not a shortfall of the approved funding. Reports from the County Auditor-Controller indicate the Agency was distributed the full amount of RPTTF approved in each year. Without evidence of a shortfall, the loan fails to qualify under HSC section 34173 (h) for repayment and Finance has no statutory authority to approve repayment. Therefore, the requested amount of \$1,996,683 in RPTTF is not allowed.

- The claimed administrative costs exceed the allowance by \$11,003. HSC section 34171 (b) (3) limits the fiscal year Administrative Cost Allowance (ACA) to three percent of actual RPTTF distributed in the preceding fiscal year or \$250,000, whichever is greater; not to exceed 50 percent of the RPTTF distributed in the preceding fiscal year. As a result, the Agency's maximum ACA is \$253,997 for fiscal year 2022-23. Although \$250,000 is claimed for ACA, Item No. 48 is considered an administrative cost and should be counted toward the cap. Therefore, as noted in the table below, \$11,003 in excess ACA is not allowed:

Administrative Cost Allowance (ACA) Calculation	
Actual RPTTF distributed for fiscal year 2021-22	\$8,716,550
Less distributed Administrative RPTTF	(250,000)
RPTTF distributed for 2021-22 after adjustments	\$8,466,550
ACA Cap for 2022-23 per HSC section 34171 (b)	\$253,997
ACA requested for 2022-23	250,000
Plus amount reclassified to ACA	15,000
Total ACA	\$265,000
ACA in Excess of the Cap	(\$11,003)

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, 2019 through June 30, 2020 (ROPS 19-20) period. The ROPS 19-20 prior period adjustment (PPA) will offset the ROPS 22-23 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 \$6,591,761, as summarized in the Approved RPTTF Distribution table (see Attachment).

RPTTF distributions occur biannually, one distribution for the July 1, 2022 through December 31, 2022 period (ROPS A period), and one distribution for the January 1, 2023 through June 30, 2023 period (ROPS B period), based on Finance's approved amounts. Since this determination is for the entire ROPS 22-23 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 items, Finance approves the remaining items listed on the ROPS 22-23 at this time. If the Agency disagrees with our determination with respect to any items on the ROPS 22-23, 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 Meet and Confer process and guidelines are available on our website:

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

The Agency must use the RAD App to complete and submit its Meet and Confer request form.

Absent a Meet and Confer, this is our final determination regarding the obligations listed on the ROPS 22-23. 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 22-23 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 22-23 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.

Norman Veloso
April 15, 2022
Page 4

Please direct inquiries to Todd Vermillion, Supervisor, or Garrett Fujitani, Staff, at (916) 322-2985.

Sincerely,

Original signed by Cheryl L. McCormick for:

JENNIFER WHITAKER
Program Budget Manager

cc: Charles Ching, Community & Economic Development Director, City of San Pablo
Bob Campbell, Auditor-Controller, Contra Costa County

Approved RPTTF Distribution July 2022 through June 2023			
	ROPS A	ROPS B	Total
RPTTF Requested	\$ 2,833,683	\$ 5,520,400	\$ 8,354,083
Administrative RPTTF Requested	125,000	125,000	250,000
Total RPTTF Requested	2,958,683	5,645,400	8,604,083
RPTTF Requested	2,833,683	5,520,400	8,354,083
<u>Adjustment(s)</u>			
Item No. 48	(7,500)	(7,500)	(15,000)
Item No. 50	(1,996,683)	0	(1,996,683)
	(2,004,183)	(7,500)	(2,011,683)
RPTTF Authorized	829,500	5,512,900	6,342,400
Administrative RPTTF Requested	125,000	125,000	250,000
<u>Adjustment(s)</u>			
Item No. 48	7,500	7,500	15,000
Adjusted Administrative RPTTF	132,500	132,500	265,000
Excess Administrative Costs	(0)	(11,003)	(11,003)
Administrative RPTTF Authorized	132,500	121,497	253,997
ROPS 19-20 prior period adjustment (PPA)	(4,636)	0	(4,636)
Total RPTTF Approved for Distribution	\$ 957,364	\$ 5,634,397	\$ 6,591,761