



Transmitted via e-mail

March 30, 2023

Laurie Smith, Director of Parks, Recreation & Neighborhoods
City of Modesto
1010 Tenth Street
Modesto, CA 95354

2023-24 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Modesto Successor Agency (Agency) submitted an annual Recognized Obligation Payment Schedule for the period July 1, 2023 through June 30, 2024 (ROPS 23-24) to the California Department of Finance (Finance) on January 31, 2023. Finance has completed its review of the ROPS 23-24.

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

- Item No. 1 – 1993 Certificates of Participation (COP) debt service in the amount of \$1,657,050 has been reclassified from Redevelopment Property Tax Trust Fund (RPTTF) to Reserve Balances. The Agency has cash in its COP reserve account fund in the amount of \$1,701,780 which must be used to satisfy the final debt service payment. Therefore, with the Agency's concurrence, \$1,657,050 has been reclassified from RPTTF to Reserve Balances.
- Item No. 22 – City Loans in the total outstanding amount of \$4,108,500 are not allowed. This item was previously denied in our ROPS determination letter dated April 15, 2022. Finance continues to deny this item. Pursuant to HSC section 34191.4 (b), loan agreements between the former Modesto Redevelopment Agency (RDA) and sponsoring entity may be placed on the ROPS if the following requirements are met: (1) the Agency has received a Finding of Completion; and (2) the Agency's Oversight Board (OB) approves the loan as an enforceable obligation by finding the loan was for legitimate redevelopment purposes. The Agency received a Finding of Completion on April 26, 2013. However, OB Resolution No. 2022-18, approving loans, less repayments between the former RDA and the City of Modesto (City), in the amount of \$20,129,400, as an enforceable obligation and finding the loan was for legitimate redevelopment purposes, was denied in our letter dated March 11, 2022. Finance continues to deny this item. The Agency was unable to provide accounting records showing the transfer of money from the City to the RDA for any of the 32 items listed in the OB Resolution.

In addition, many of the 32 items failed to meet other portions of the statutory requirements, namely, evidence of a loan agreement and/or evidence of mandatory repayment terms. The Cooperation Agreement between the City and the RDA was dated October 26, 1982, and the purpose was to reimburse the City for actions undertaken and costs and expenses incurred by it for and on behalf of the RDA. Although it included an annual interest rate, it did not include a loan amount and is not a loan agreement in and of itself. Therefore, the requested amount of \$1,500,000 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, 2020 through June 30, 2021 (ROPS 20-21) period. The ROPS 20-21 prior period adjustment (PPA) will offset the ROPS 23-24 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 \$697,266, as summarized in the Approved RPTTF Distribution table (see Attachment).

RPTTF distributions occur biannually, one distribution for the July 1, 2023 through December 31, 2023 period (ROPS A period), and one distribution for the January 1, 2024 through June 30, 2024 period (ROPS B period), based on Finance's approved amounts. Since this determination is for the entire ROPS 23-24 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 23-24 at this time. If the Agency disagrees with our determination with respect to any items on the ROPS 23-24, 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/

Absent a Meet and Confer, this is our final determination regarding the obligations listed on the ROPS 23-24. 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 23-24 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 23-24 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 Zuber Tejani, Supervisor, or Veronica Zalvidea, Staff, at (916) 322-2985.

Sincerely,

Original signed by Cheryl L. McCormick for:

JENNIFER WHITAKER
Program Budget Manager

cc: Stephan Christensen, Budget Manager, City of Modesto
Kashmir Gill, Auditor-Controller, Stanislaus County
Nathan Amarante, Countywide Oversight Board Representative

Approved RPTTF Distribution July 2023 through June 2024			
	ROPS A	ROPS B	Total
RPTTF Requested	\$ 2,637,677	\$ 1,823,725	\$ 4,461,402
Administrative RPTTF Requested	67,767	67,767	135,534
Total RPTTF Requested	2,705,444	1,891,492	4,596,936
RPTTF Requested	2,637,677	1,823,725	4,461,402
<u>Adjustment(s)</u>			
Item No. 1	(828,525)	(828,525)	(1,657,050)
Item No. 22	(750,000)	(750,000)	(1,500,000)
	(1,578,525)	(1,578,525)	(3,157,050)
RPTTF Authorized	1,059,152	245,200	1,304,352
Administrative RPTTF Authorized	67,767	67,767	135,534
ROPS 20-21 Prior Period Adjustment (PPA)	(742,620)	0	(742,620)
Total RPTTF Approved for Distribution	\$ 384,299	\$ 312,967	\$ 697,266