



Transmitted via e-mail

March 8, 2024

Stephan Christensen, Budget Manager
City of Modesto
1010 Tenth Street
Modesto, CA 95354

2024-25 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, 2024 through June 30, 2025 (ROPS 24-25) to the California Department of Finance (Finance) on January 30, 2024. Finance has completed its review of the ROPS 24-25.

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

- 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 letters dated April 15, 2022 and March 30, 2023. 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 Redevelopment Property Tax Trust Fund (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, 2021 through June 30, 2022 (ROPS 21-22) period. The ROPS 21-22 prior period adjustment (PPA) will offset the ROPS 24-25 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 \$1,015,915, as summarized in the Approved RPTTF Distribution table (see Attachment).

RPTTF distributions occur biannually, one distribution for the July 1, 2024 through December 31, 2024 period (ROPS A period), and one distribution for the January 1, 2025 through June 30, 2025 period (ROPS B period), based on Finance's approved amounts. Since this determination is for the entire ROPS 24-25 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 24-25 at this time. If the Agency disagrees with our determination with respect to any items on the ROPS 24-25, 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 24-25. 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 24-25 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 24-25 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.

Sincerely,

Original signed by:

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

cc: Kacey Culbertson, Senior Financial Analyst, City of Modesto
Kashmir Gill, Auditor-Controller, Stanislaus County
Nathan Amarante, Countywide Oversight Board Representative

Approved RPTTF Distribution July 2024 through June 2025			
	ROPS A	ROPS B	Total
RPTTF Requested	\$ 1,607,393	\$ 951,781	\$ 2,559,174
Administrative RPTTF Requested	71,589	71,589	143,178
Total RPTTF Requested	1,678,982	1,023,370	2,702,352
RPTTF Requested	1,607,393	951,781	2,559,174
<u>Adjustment(s)</u>			
Item No. 22	(750,000)	(750,000)	(1,500,000)
RPTTF Authorized	857,393	201,781	1,059,174
Administrative RPTTF Authorized	71,589	71,589	143,178
ROPS 21-22 prior period adjustment (PPA)	(186,437)	0	(186,437)
Total RPTTF Approved for Distribution	\$ 742,545	\$ 273,370	\$ 1,015,915