



Transmitted via e-mail

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979 17th Avenue
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2024-25 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the Santa Cruz County 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 31, 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 determinations:

- Item No. 44 – Property Management and Disposition Services in the amount of \$485,000 is partially reclassified as follows:
 - On the ROPS 24-25 form, the Agency reported cash balances and activity for the period July 1, 2021 through June 30, 2022 (ROPS 21-22). According to our review, the Agency has approximately \$319,066 from Other Funds, available to fund enforceable obligations on the ROPS 24-25. HSC section 34177 (l) (1) (E) requires these balances to be used prior to requesting Redevelopment Property Tax Trust Fund (RPTTF) funding. This item does not require payment from property tax revenues; therefore, with the Agency's concurrence, the funding source has been partially reclassified. Finance approves RPTTF in the amount of \$165,934 and the use of Other Funds in the amount of \$319,066, totaling \$485,000.
 - Finance approved the Agency's Long-Range Property Management Plan on August 20, 2014, and contracts and agreements necessary to maintain assets prior to disposition are allowable. However, it appears the Oversight Board (OB) approved an amount for property maintenance costs that appears excessive, given the length of time the assets have been available for disposition (sale).

HSC section 34177 (e) requires agencies to dispose of assets and properties expeditiously and in a manner aimed at maximizing value. Further, 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 resources required to maintain assets prior to disposition.

- The administrative costs claimed are within the fiscal year administrative cap pursuant to HSC section 34171 (b) (3). However, Finance notes the OB approved an amount that appears excessive, given the number and nature of the obligations listed on the ROPS. Therefore, as required by HSC section 34179 (i), Finance encourages the OB to apply adequate oversight when evaluating the administrative resources necessary to successfully wind-down the Agency.

Pursuant to HSC section 34186, successor agencies are required to report differences between actual payments and past estimated obligations (prior period adjustments) for the 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 \$15,982,874, 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: Marcus Pimentel, County Budget Manager, Santa Cruz County
Edith Driscoll, Auditor-Controller Treasurer Tax Collector, Santa Cruz County
Kim Namba, Countywide Oversight Board Representative

Approved RPTTF Distribution July 2024 through June 2025			
	ROPS A	ROPS B	Total
RPTTF Requested	\$ 505,100	\$ 15,613,698	\$ 16,118,798
Administrative RPTTF Requested	100,000	100,000	200,000
Total RPTTF Requested	605,100	15,713,698	16,318,798
RPTTF Requested	505,100	15,613,698	16,118,798
<u>Adjustment(s)</u>			
Item No. 44	(319,066)	0	(319,066)
RPTTF Authorized	186,034	15,613,698	15,799,732
Administrative RPTTF Authorized	100,000	100,000	200,000
ROPS 21-22 prior period adjustment (PPA)	(16,858)	0	(16,858)
Total RPTTF Approved for Distribution	\$ 269,176	\$ 15,713,698	\$ 15,982,874