



Transmitted via e-mail

April 12, 2024

Kendra Reed, Finance Manager
City of Scotts Valley
1 Civic Center Drive
Scotts Valley, CA 95066

2024-25 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Scotts Valley 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 February 1, 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. 8 – City Loan Agreement in the total outstanding amount of \$1,746,239 is not allowed. Pursuant to HSC section 34191.4 (b), loan agreements between the former 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 3, 2013. However, OB Resolution No. 14-2023, approving the Loan Agreement between the Agency and the City of Scotts Valley Waste Water Enterprise Fund in the amount of \$1,600,000 as an enforceable obligation and finding the loan was for legitimate redevelopment purposes, was denied in our letter dated January 17, 2024. The OB approved the agreement under HSC sections 34171 (d) (2), 34173 (h), and 34178 (b) (2). However, these sections do not support a determination that the loans are enforceable obligations. Therefore, the requested amount of \$1,401,766 is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.

- Item No. 14 – Payments for this type of service requested in the amount of \$25,000 is considered a general administrative cost and have been reclassified to Administrative RPTTF.

- Item No. 27 – 2017A Bond debt service; the total requested \$847,782 from RPTTF is adjusted to properly reflect the debt service payment. The Agency inadvertently requested incorrect amounts. The Agency requested \$376,741 from RPTTF for the July 1, 2024 through December 31, 2024 period (ROPS A period) and \$471,041 in RPTTF for the January 1, 2025 through June 30, 2025 period (ROPS B period).

Additionally, 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 \$80,481 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 RPTTF funding.

This item does not require payment from property tax revenues; therefore, with the Agency's concurrence, Finance made the adjustments and reclassifications as specified below. A net adjustment of \$182,981 (\$205,000 - \$80,481 - \$307,500) to the RPTTF is made to this item.

Funding Source	Requested	Adjustments per Debt Service	Reclassification per Cash Balance	Authorized
RPTTF (ROPS A Period)	\$ 376,741	\$ 205,000	\$ (80,481)	\$ 501,260
RPTTF (ROPS B Period)	471,041	(307,500)	0	163,541
Other Funds	0	0	80,481	80,481
Total	\$ 847,782	\$ (102,500)	\$ 0	\$ 745,282

- Item No. 28 – 2017B Bond debt service. The Agency requested \$92,813 from RPTTF in error. According to the debt service schedule provided by the Agency, the amount requested for the ROPS A period should be \$182,813. Therefore, to accurately reflect the correct debt service payment, Finance made an adjustment in the amount of \$90,000 to increase the total requested amount of \$92,813 to \$182,913.
- 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. 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.

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 \$525,178, as summarized in the Approved RPTTF Distribution table (see Attachment).

RPTTF distributions occur biannually, one distribution for the ROPS A period, and one distribution for the 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 items, 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.

Kendra Reed
April 12, 2024
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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: Stephanie Hill, Administrative Services Director, City of Scotts Valley
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	\$ 1,238,300	\$ 1,214,787	\$ 2,453,087
Administrative RPTTF Requested	50,000	50,000	100,000
Total RPTTF Requested	1,288,300	1,264,787	2,553,087
RPTTF Requested	1,238,300	1,214,787	2,453,087
<u>Adjustment(s)</u>			
Item No. 8	(700,883)	(700,883)	(1,401,766)
Item No. 14	(25,000)	0	(25,000)
Item No. 27	124,519	(307,500)	(182,981)
Item No. 28	90,000	0	90,000
	(511,364)	(1,008,383)	(1,519,747)
RPTTF Authorized	726,936	206,404	933,340
Administrative RPTTF Requested	50,000	50,000	100,000
<u>Adjustment(s)</u>			
Item No. 14	25,000	0	25,000
Administrative RPTTF Authorized	75,000	50,000	125,000
ROPS 21-22 prior period adjustment (PPA)	(533,162)	0	(533,162)
Total RPTTF Approved for Distribution	\$ 268,774	\$ 256,404	\$ 525,178