



Transmitted via e-mail

May 15, 2020

Conrad Avila, Accountant
City of Carlsbad
1635 Faraday Avenue
Carlsbad, CA 92008

2020-21 Annual Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated March 27, 2020. Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Carlsbad Successor Agency (Agency) submitted an annual ROPS for the period of July 1, 2020 through June 30, 2021 (ROPS 20-21) to Finance on January 23, 2020. The Agency requested a Meet and Confer on one of the determinations made by Finance. The Meet and Confer was held on April 15, 2020.

Based on a review of additional information and documentation provided to Finance during the Meet and Confer process, Finance has completed its review of the specific determination being disputed:

Item No. 2 - Redevelopment Loans (Village & SCCRA) in the total outstanding amount of \$7,255,237. Finance denied a portion of the requested amount because we determined the Agency's calculation for loans outstanding included a loan that does not have the Agency's Oversight Board's (OB) approval, as required by HSC section 34191.4 (b). During the Meet and Confer, the Agency provided documentation to support all loans included in the Agency's calculation were in fact approved by the OB. Therefore, Finance is approving the Agency's request for \$3,814,741 in Redevelopment Property Tax Trust Fund (RPTTF) funding for this obligation.

In addition, per Finance's letter dated March 27, 2020, we continue to make the following determinations not contested by the Agency during the Meet and Confer review:

- On the ROPS 20-21 form, the Agency reported cash balances and activity for the period July 1, 2017 through June 30, 2018 (ROPS 17-18). According to our review, the Agency has approximately \$37,244 from Other Funds available to fund enforceable obligations on the ROPS 20-21. HSC section 34177 (l) (1) (E) requires these balances to be used prior to requesting RPTTF. Item No. 1 does not require payment from property tax revenues; therefore, the funding source has been reclassified in the amount specified on the following page:

- Item No. 1 – 1993 Tax Allocation Refunding Bonds in the amount of \$1,028,706 is partially reclassified. Therefore, Finance is approving RPTTF in the amount of \$972,905 and the use of Other Funds in the requested amount of \$18,557 plus the reclassified amount of \$37,244, totaling \$1,028,706.
- The administrative costs claimed are within the fiscal year administrative cap pursuant to HSC section 34171 (b) (3). However, Finance notes the OB has 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 17-18 period. Reported differences in RPTTF are used to offset current RPTTF distributions. The amount of RPTTF authorized includes the prior period adjustment (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 \$4,959,823, as summarized in the Approved RPTTF Distribution table (see Attachment).

RPTTF distributions occur biannually, one distribution for the July 1, 2020 through December 31, 2020 period (ROPS A period), and one distribution for the January 1, 2021 through June 30, 2021 period (ROPS B period), based on Finance's approved amounts. Since this determination is for the entire ROPS 20-21 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

This is our final determination regarding the obligations listed on the ROPS 20-21. This determination only applies to items when funding was requested for the 12-month period. If a denial by Finance in a previous ROPS is currently the subject of litigation, the item will continue to be deemed denied until the matter is resolved.

The ROPS 20-21 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 20-21 period only and should not be conclusively relied upon for future ROPS periods. All items listed on a future ROPS are subject to review and may be denied even if not denied 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.

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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 Todd Vermillion, Supervisor, or Thong Thao, Staff, at (916) 322-2985.

Sincerely,

Original signed by Cheryl L. McCormick for:

JENNIFER WHITAKER
Program Budget Manager

cc: Ryan Green, Assistant Finance Director, City of Carlsbad
Jon Baker, Senior Auditor and Controller Manager, San Diego County

Approved RPTTF Distribution July 2020 through June 2021			
	ROPS A	ROPS B	ROPS 20-21 Total
RPTTF Requested	\$ 4,752,367	\$ 75,523	\$ 4,827,890
Administrative RPTTF Requested	101,339	101,339	202,678
Total RPTTF Requested	4,853,706	176,862	5,030,568
RPTTF Requested	4,752,367	75,523	4,827,890
<u>Adjustment(s)</u>			
Item No. 1	(37,244)	0	(37,244)
RPTTF Authorized	4,715,123	75,523	4,790,646
Administrative RPTTF Authorized	101,339	101,339	202,678
ROPS 17-18 prior period adjustment (PPA)	(33,501)	0	(33,501)
Total RPTTF Approved for Distribution	\$ 4,782,961	\$ 176,862	\$ 4,959,823