



Transmitted via e-mail

April 1, 2022

Connie Horca, City Clerk
Sand City
1 Pendergrass Way
Sand City, CA 93955

2022-23 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the Sand City Successor Agency (Agency) submitted an annual Recognized Obligation Payment Schedule for the period July 1, 2022 through June 30, 2023 (ROPS 22-23) to the California Department of Finance (Finance) on February 1, 2022. Finance has completed its review of the ROPS 22-23.

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

- Item Nos. 13 and 28 – Sand City Redevelopment Project in the total outstanding amount of \$8,208,552 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 August 1, 2013. However, OB Resolution No. 2022-09, confirming reinstatement of a loan agreement between the City of Sand City and the former Sand City Redevelopment Agency (RDA) as an enforceable obligation and finding the loan was for legitimate redevelopment purposes, was denied in our letter dated March 10, 2022. The agreement in place was not solely for the purpose of securing or repaying the Seaside Agreement and the Costco Owner Participation Agreement and does not meet any of the other criteria of an enforceable obligation pursuant to HSC section 37171 (d) (2). Additionally, pursuant to HSC section 34191.4 (b) (2) (A), the Agreement does not meet the loan definition because it did not include a loan amount, interest rate, repayment terms, or a requirement for the loan to be repaid. Further, since the sales and use tax was issued from the Board of Equalization to the RDA, there was no transfer of money. Therefore, the items are not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding and the requested RPTTF funding of \$500,000 for Item No. 13 on the ROPS 22-23 is not allowed.

- On the ROPS 22-23 form, the Agency reported cash balances and activity for the period July 1, 2019 through June 30, 2020 (ROPS 19-20). According to our review, the Agency has approximately \$77,954 from Other Funds available to fund enforceable obligations on the ROPS 22-23. 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, the funding source for the following item has been reclassified in the amount specified below:
 - Item No. 2 – 2008 B Tax Allocation Bonds in the amount of \$433,863 is partially reclassified. Finance is approving RPTTF in the amount of \$255,909, the use of Reserve Balances in the requested amount of \$100,000, and the use of Other Funds in the amount of \$77,954, totaling \$433,863.
- 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 19-20 period. The ROPS 19-20 prior period adjustment (PPA) will offset the ROPS 22-23 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 \$1,391,368, as summarized in the Approved RPTTF Distribution table (see Attachment).

RPTTF distributions occur biannually, one distribution for the July 1, 2022 through December 31, 2022 period (ROPS A period), and one distribution for the January 1, 2023 through June 30, 2023 period (ROPS B period), based on Finance's approved amounts. Since this determination is for the entire ROPS 22-23 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 22-23 at this time. If the Agency disagrees with our determination with respect to any items on the ROPS 22-23, 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 Meet and Confer process and guidelines are available on our website:

http://dof.ca.gov/Programs/Redevelopment/Meet_And_Confer/

The Agency must use the RAD App to complete and submit its Meet and Confer request form.

Absent a Meet and Confer, this is our final determination regarding the obligations listed on the ROPS 22-23. 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 22-23 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 22-23 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 Dylan Newton, Staff, at (916) 322-2985.

Sincerely,

Original signed by Cheryl L. McCormick for:

JENNIFER WHITAKER
Program Budget Manager

cc: Cheryl Murase, Principal, HdL Companies, Sand City
Jennifer Forsyth, Auditor-Controller Analyst, Monterey County

Approved RPTTF Distribution July 2022 through June 2023			
	ROPS A	ROPS B	Total
RPTTF Requested	\$ 1,012,012	\$ 713,056	\$ 1,725,068
Administrative RPTTF Requested	125,000	125,000	250,000
Total RPTTF Requested	1,137,012	838,056	1,975,068
RPTTF Requested	1,012,012	713,056	1,725,068
<u>Adjustment(s)</u>			
Item No. 2	(77,954)	0	(77,954)
Item No. 13	(500,000)	0	(500,000)
	(577,954)	0	(577,954)
RPTTF Authorized	434,058	713,056	1,147,114
Administrative RPTTF Authorized	125,000	125,000	250,000
ROPS 19-20 prior period adjustment (PPA)	(5,746)	0	(5,746)
Total RPTTF Approved for Distribution	\$ 553,312	\$ 838,056	\$ 1,391,368