



Transmitted via e-mail

April 15, 2020

Lisa Fowler, Finance Director
City of San Marcos
1 Civic Center Drive
San Marcos, CA 92069

2020-21 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of San Marcos Successor Agency (Agency) submitted an annual Recognized Obligation Payment Schedule for the period of July 1, 2020 through June 30, 2021 (ROPS 20-21) to the California Department of Finance (Finance) on January 31, 2020. Finance has completed its review of the ROPS 20-21.

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

- Item No. 145 – Debt Service for Tax Allocation Refunding Bonds, Series 2017. The Agency requested \$2,266,729 for the July through December (ROPS 20-21A) period in error. According to the debt service schedule provided by the Agency, the amount requested should be \$2,163,163. Therefore, to accurately reflect the correct debt service payment, Finance made an adjustment to the Redevelopment Property Tax Trust Fund (RPTTF) funding requested in the amount of \$103,566 (\$2,266,729 - \$2,163,163).
- On the ROPS 20-21 form, the Agency reported cash balances and activity, including differences between actual payments and past estimated obligations (prior period adjustments (PPA)) for the July 1, 2017 through June 30, 2018 (ROPS 17-18) period. According to the San Diego County Auditor Controller's (CAC) review of the Agency's PPA, the Agency spent \$247,750 in Other Funds on Item No. 16 in excess of what was authorized on the ROPS. Since the Agency is only authorized to make payments for obligations based on approved ROPS amounts, the funding source for the following item has been reclassified to account for the \$247,750 in Other Funds that should have been available, if not for this unauthorized use.
 - Item No. 116 – Supplemental Education Revenue Augmentation Fund Loan in the amount of \$2,732,000 is partially reclassified. As stated above, \$247,750 in Other Funds should have been available for use on the ROPS 20-21. Therefore, Finance is approving RPTTF in the amount of \$2,484,250 and the use of Other Funds in the amount of \$247,750, totaling \$2,732,000.

- The administrative costs claimed are within the fiscal year administrative cap pursuant to HSC section 34171 (b) (3). However, Finance notes the Oversight Board (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 were required to report the PPA for the ROPS 17-18 period. Reported differences in RPTTF are used to offset current RPTTF distributions. The amount of RPTTF authorized includes the PPA resulting from the CAC's review of the PPA form submitted by the Agency.

The Agency's maximum approved RPTTF distribution for the reporting period is \$24,246,823, 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.

Except for the items adjusted, Finance is not objecting to the remaining items listed on the ROPS 20-21. If the Agency disagrees with our determination with respect to any items on the ROPS 20-21, 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 of 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 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.

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 Mindy Patterson, Supervisor, or Eric Hamilton, Staff, at (916) 322-2985.

Sincerely,

Original signed by Cheryl L. McCormick for:

JENNIFER WHITAKER
Program Budget Manager

cc: Donna Apar, Fiscal Services & Budget Manager, City of San Marcos
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	\$ 12,918,044	\$ 11,344,960	\$ 24,263,004
Administrative RPTTF Requested	179,596	179,595	359,191
Total RPTTF Requested	13,097,640	11,524,555	24,622,195
RPTTF Requested	12,918,044	11,344,960	24,263,004
<u>Adjustment(s)</u>			
Item No. 116	(247,750)	0	(247,750)
Item No. 145	(103,566)	0	(103,566)
	(351,316)	0	(351,316)
RPTTF Authorized	12,566,728	11,344,960	23,911,688
Administrative RPTTF Authorized	179,596	179,595	359,191
ROPS 17-18 prior period adjustment (PPA)	(24,056)	0	(24,056)
Total RPTTF Approved for Distribution	\$ 12,722,268	\$ 11,524,555	\$ 24,246,823