



Transmitted via e-mail

May 17, 2021

Laurie Smith, Administrative Services Officer
City of Modesto
1010 Tenth Street
Modesto, CA 95354

2021-22 Annual Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 9, 2021. Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Modesto Successor Agency (Agency) submitted an annual ROPS for the period July 1, 2021 through June 30, 2022 (ROPS 21-22) to Finance on January 29, 2021. The Agency requested a Meet and Confer on one or more of the determinations made by Finance. The Meet and Confer was held on April 22, 2021.

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 determinations being disputed:

- Item No. 22 – City Loans in the total outstanding amount of \$7,408,500 are not allowed. Finance previously denied this item because the Agency had not submitted an Oversight Board (OB) Resolution to Finance. The Agency contends loans between the City of Modesto (City) and the former Redevelopment Agency (RDA) have been approved by OB Resolution 2014-02 as enforceable obligations and were found to be for legitimate redevelopment purposes. On May 5, 2021, the Agency formally submitted the following two OB Resolutions to Finance pursuant to HSC section 34179 (h):
 - 2014-02 approving loans between the former RDA and the City as enforceable obligations and finding them to be for legitimate redevelopment purposes.
 - 2014-10 approving a repayment schedule for the loans issued by the City to the RDA and the Supplemental Educational Revenue Augmentation Fund Loan, applying the Local Agency Investment Fund rate in existence at the time the loans were incurred.

However, the Agency has not provided all of the supporting documentation required for Finance to make a determination concerning the enforceability of the loans prior to the Meet and Confer deadline. Therefore, without a Finance approved OB action, the requested amount of \$1,500,000 is ineligible for Redevelopment Property Tax Trust Fund (RPTTF) funding at this time. Finance will continue to review OB Resolutions 2014-02 and 2014-10 and issue a determination no later than June 14, 2021. To the extent the loans are enforceable obligations, the Agency may be able to request funding on a subsequent ROPS.

In addition, per Finance's letter dated April 9, 2021, we continue to make the following determinations not contested by the Agency during the Meet and Confer review:

- Item No. 2 – Reimbursement Agreement - MPF 2008 Lease Revenue Bonds. The Agency requested \$1,344,040 from RPTTF in error. According to the support provided by the Agency, the amount requested for the ROPS 21-22 period should be \$1,357,793. Therefore, to accurately reflect the correct debt service payments, Finance made an adjustment in the amount of \$13,753.
- Item No. 7 – City Loan in the total outstanding amount of \$295,000 is not allowed. Pursuant to HSC section 34191.4 (b), loan agreements between the former Redevelopment Agency 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 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 26, 2013. However, the Agency has not submitted an OB Resolution to Finance, specifically approving Item No. 7. Therefore, the requested amount of \$295,000 is ineligible for RPTTF funding at this time.
- On the ROPS 21-22 form, the Agency reported cash balances and activity for the period July 1, 2018 through June 30, 2019 (ROPS 18-19). According to our review, the Agency has approximately \$238,654 from Other Funds available to fund enforceable obligations on the ROPS 21-22. 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 – Reimbursement Agreement - MPF 2008 Lease Revenue Bonds in the amount of \$1,357,793, which includes the adjustment noted above, is partially reclassified. Finance is approving RPTTF in the amount of \$1,119,139 and the use of the available Other Funds in the amount of \$238,654, totaling \$1,357,793.

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 18-19 period. The ROPS 18-19 prior period adjustment (PPA) will offset the ROPS 21-22 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 \$2,745,558, as summarized in the Approved RPTTF Distribution table (see Attachment).

RPTTF distributions occur biannually, one distribution for the July 1, 2021 through December 31, 2021 period (ROPS A period), and one distribution for the January 1, 2022 through June 30, 2022 period (ROPS B period), based on Finance's approved amounts. Since this determination is for the entire ROPS 21-22 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 21-22. 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 21-22 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 21-22 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 Todd Vermillion, Supervisor, or Michael Barr, Staff, at (916) 322-2985.

Sincerely,

Original signed by Cheryl L. McCormick for:

JENNIFER WHITAKER
Program Budget Manager

cc: Stephan Christensen, Budget Manager, City of Modesto
Kashmir Gill, Auditor-Controller, Stanislaus County

Approved RPTTF Distribution July 2021 through June 2022			
	ROPS A	ROPS B	Total
RPTTF Requested	\$ 2,853,232	\$ 1,985,233	\$ 4,838,465
Administrative RPTTF Requested	67,469	67,469	134,938
Total RPTTF Requested	2,920,701	2,052,702	4,973,403
RPTTF Requested	2,853,232	1,985,233	4,838,465
<u>Adjustment(s)</u>			
Item No. 2	(238,654)	13,753	(224,901)
Item No. 7	(147,500)	(147,500)	(295,000)
Item No. 22	(750,000)	(750,000)	(1,500,000)
	(1,136,154)	(883,747)	(2,019,901)
RPTTF Authorized	1,717,078	1,101,486	2,818,564
Administrative RPTTF Authorized	67,469	67,469	134,938
ROPS 18-19 prior period adjustment (PPA)	(207,944)	0	(207,944)
Total RPTTF Approved for Distribution	\$ 1,576,603	\$ 1,168,955	\$ 2,745,558

ICC: Barr, Vermillion, Takagi-Galamba, McAllister, McCormick,
Whitaker

Final Path: J:\Audits and Review\ROPS 21-22 Letters PDF

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