



# Agenda Report

**MEETING DATE:** Tuesday, November 9, 2021

**TO:** City Council

**FROM:** ADMINISTRATIVE SERVICES DIRECTOR CZERWIN  
ASSITANT FINANCE MANAGER, PATRICIA RODRIGUEZ

**SUBJECT:** RESOLUTION APPROVING LOAN FOR \$599,588 WITH THE CITY OF  
WATSONVILLE REDEVELOPMENT SUCCESSOR AGENCY FROM  
THE GENERAL FUND

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## **STATEMENT OF ISSUES:**

Confirm \$599,588 loan from the City General Fund to the City of Watsonville Redevelopment Successor Agency to cover the State of California Department of Finance Recognized Obligation Payment Schedule (ROPS) 19-20 (ROPS 19-20)

## **RECOMMENDED ACTION:**

Staff recommends that the City Council adopt a resolution confirming a loan for \$599,588 from the City General Fund to the City of Watsonville Redevelopment Successor Agency. This loan was made in 2020 so the Watsonville Successor Agency had sufficient funds to make all enforceable obligation payments. If confirmed, the Watsonville Redevelopment Successor Agency will place it on the 22-23 ROPS so that it can begin to receive funds from the Redevelopment Property Tax Trust Fund (RPTTF) to repay the City.

## **DISCUSSION:**

On February 1, 2012, all redevelopment agencies throughout the State were dissolved pursuant to ABX1-36 ("Dissolution Law"). The Dissolution Law designated Successor Agencies as the successor entities to the former redevelopment agencies. The Dissolution Law also created Oversight Boards to review and approve certain actions of Successor Agencies. Under the Dissolution Law, each Successor Agency must prepare a Recognized Obligation Payment Schedules (ROPS) detailing the amount of tax increment necessary for the Successor Agency's to pay approved enforceable obligations and administrative costs during the ROPS period. Each ROPS must be approved by the Oversight Board and then submitted to the Department of Finance for approval. Once approved, the County Auditor Controller distributes the appropriate amount of dollars from the Redevelopment Property Tax Trust Fund (RPTTF) to the Successor Agency. Initially, ROPS were submitted every six months but AB 1484, which was adopted in June 2012 as clean-up legislation to ABX1-26, made the ROPS periods 12 months.

Consistent with its obligations under the Dissolution Law, the City of Watsonville Redevelopment Successor Agency ("SA") submitted a Recognized Obligation Payment Schedule for July 1, 2019 through June 30, 2020 (ROPS 19-20) to its Oversight Board on January 22, 2019. (See, Exhibit A.) It was approved and the SA submitted ROPS 19-20 to the Department of Finance (DOF) by February 1, 2019. On ROPS 19-20, the Successor Agency listed a total of \$2,482,175 in enforceable obligations for the ROPS period. It also stated on the ROPS that it had \$1,669,753 of reserve balance available to pay those enforceable obligations, and therefore requested \$812,422 in RPTTF for the ROPS period so it could make payments on its enforceable obligations. (See 2019-2020 ROPS, Exhibit. B).

After ROPS 19-20 was submitted, DOF contacted the Successor Agency via email to process an audit. The auditor addressed minor adjustments on the ROPS, but did not raise concerns about the requested amount of RPTTF dollars requested by the Successor Agency. However, on March 22, 2019, the Successor Agency received a Final Determination from the DOF that authorized \$0 in RPTTF for the ROPS period. (See Final Determination, Exhibit C) It appears from the Final Determination that this position was based on an incorrect determination regarding the amount of reserve balance available to the Successor Agency.

City staff did not meet and confer with DOF to contest its findings within the five days allotted by the Dissolution Law. As a result, the Successor Agency did not receive sufficient RPTTF dollars to pay all of its enforceable obligations. The actual cost of all 2019-2020 enforceable obligations was \$2,318,750. (See Exhibit D). The Successor Agency used its \$1,669,753 reserve balance and \$49,409 it received as a loan repayment during the ROPS cycle to pay its enforceable obligations. That, however, still left a deficit of \$599,588. The City therefore loaned the Successor Agency \$599,588 during the 2019-2020 ROPS period to ensure that the Successor Agency was able to make all enforceable obligation payments due during that period.

Under subdivision (h)(1) of California Health & Safety Code Section 34173, the City that authorized the creation of a redevelopment agency may loan funds to a successor agency for payment of an enforceable obligation when the successor agency received an insufficient distribution of RPTTF. Loans made for this purpose then become enforceable obligations of the Successor Agency. The Successor Agency is therefore requesting that the City confirm the loan that was made via Resolution.

#### **FINANCIAL IMPACT:**

Since the loan has already been made, there is no fiscal impact to this action. However, if DOF approves the loan as an enforceable obligation, the City will be repaid in accordance with the schedule established by the Dissolution Law.

#### **ALTERNATIVE ACTION:**

The RDA Obligation Retirement Fund will continue to remain negative.

#### **ATTACHMENTS AND/OR REFERENCES (If any):**

- 1) Santa Cruz County Consolidated Redevelopment Successor Agency Oversight Board Resolution 2019-7-OB

- 2) Watsonville Recognized Obligation Payment Schedule (ROPS 19-20)
- 3) Department of Finance 19-20 Annual Recognized Obligation Payment Schedule
- 4) City's reconciliation of 19-20 actual revenues and expenses