



## Agenda Item Staff Report

**To:** Honorable Mayor and Members of City Council and Successor Agency to the Former San Dimas Redevelopment Agency  
*For the Meeting of December 10, 2024*

**From:** Brad McKinney, City Manager and Executive Director

**Prepared by:** Michael O'Brien, Director of Administrative Services

**Subject:** Approve Resolutions 2024-86, 2024-87, and 2024-88, Approving the 2025-26 Recognized Obligation Payment Schedule (ROPS), the Administrative Budget and Approval to Recognize the Outstanding Loans from the General Fund to the Former Redevelopment Agency as Legitimate Loans to be Paid Back to the General Fund.

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### **SUMMARY**

Approval of Resolutions 2024-86, Recognized Obligation Payment Schedule (ROPS), 2024-87, the Administrative Budget and 2024-88, Request to Recognize the outstanding loans from the General Fund to the former Redevelopment Agency as legitimate loans to be paid back to the General Fund. The request to approve the outstanding loans is based on the Department of Finance (DOF) request to submit additional evidence per the January 24, 2017, denial letter. Staff has gathered the information requested as well as conducted an independent audit of the materials to determine if it meets the conditions outlined in the DOF letter and have prepared the request for approval.

### **RECOMMENDATION**

Staff recommends the City Council and Successor Agency jointly adopt Resolutions 2024-86, 2024-87 and 2024-88 and direct staff to submit to the Los Angeles County Consolidated Oversight Board (5th District) and California Department of Finance the ROPS 2025-26 (Attachment "2" hereto) and Administrative Budget FY 2025-26 (Attachment "3" hereto), and authorize staff to make any changes as requested by the DOF.

### **FISCAL IMPACT**

Adoption of the ROPS secures funding from State-distributed Redevelopment Property Tax Trust Funds (RPTTF) to reimburse the City and Former Successor Agency for previously incurred enforceable obligations. No expenditure of City funds is required.

## **BACKGROUND**

ABx1 26 ended redevelopment in California. That legislation, along with AB 1484, sets the rules and procedures for the dissolution of redevelopment agencies. Successor agencies were created by ABx1 26 to settle the affairs of the dissolved redevelopment agencies.

Under current State law, successor agencies are annually provided with tax increment funds to pay the debts of the former redevelopment agencies. Successor agencies must prepare a recognized obligation payment schedule (ROPS) annually.

County auditor controllers use the ROPS to determine the amount of tax increment (RPTTF) it will give to successor agencies for each annual ROPS period. After a successor agency prepares a ROPS, the payment schedule is reviewed and approved by the successor agency's oversight board and then approved by the California Department of Finance (DOF).

25-26 ROPS Generally:

In prior ROPS periods, the DOF and the Los Angeles County Consolidated Oversight Board for the Successor Agency to the San Dimas Redevelopment Agency have approved the ROPS described below and the Los Angeles County Auditor Controller has provided the funding required for the obligations listed in the following schedules:

- 1st ROPS (January 1, 2012, to June 30, 2012)
- 2nd ROPS (July 1, 2012, to December 31, 2012)
- 3rd ROPS (January 1, 2013, to June 30, 2013)
- ROPS 13-14A (July 1, 2013, to December 31, 2013)
- ROPS 13-14B (January 1, 2014, to June 30, 2014)
- ROPS 14-15A (July 1, 2014, to December 31, 2014)
- ROPS 14-15B (January 1, 2015, to June 30, 2015)
- ROPS 15-16A (July 1, 2015, to December 31, 2015)
- ROPS 15-16B (January 1, 2016, to June 30, 2016)
- ROPS 17-18A (July 1, 2016, to December 31, 2016)
- ROPS 17-18 (July 1, 2017, to June 30, 2018)
- ROPS 18-19 (July 1, 2018, to June 30, 2019)
- ROPS 19-20 (July 1, 2019, to June 30, 2020)
- ROPS 20-21 (July 1, 2020, to June 30, 2021)
- ROPS 21-22 (July 1, 2021, to June 30, 2022)
- ROPS 22-23 (July 1, 2022, to June 30, 2023)
- ROPS 23-24 (July 1, 2023, to June 30, 2024), and
- ROPS 24-25 (July 1, 2024, to June 30, 2025).

The next ROPS 25-26 (July 1, 2025, to June 30, 2026) must be submitted to the DOF by February 1, 2025, after approval by the Oversight Board (Attachment "2" hereto). The Successor Agency staff has prepared the attached ROPS 25-26, which the Successor Agency is expected to submit to the Oversight Board to allow the Oversight Board to consider this ROPS at a meeting in January 2025. Hence, staff recommends that the Successor Agency Board submit the proposed ROPS to the Oversight Board, ultimately for submission to the DOF, in order to meet the February 1, 2025, deadline.

## **DISCUSSION/ANALYSIS**

### **New Requests Attendant to 2025-26 ROPS:**

In addition to the ROPS items to be paid to the City as approved in prior years, the 2025-26 ROPS also includes two new items for RPTTF reimbursement. These line items actually represent decades old obligations for which staff has simply been requested to provide more evidence. Specifically, two loans (collectively, "Loans") were made by the City of San Dimas to the former redevelopment agency, which these loans should legitimately qualify for RPTTF reimbursement as enforceable obligations:

- Rancho San Dimas Loan: Actions prior to and upon October 28, 1997, authorized the City to advance funds for the Target Shopping Center, which the principal for the loan total \$1,218,307 as of 1997.
- Creative Growth Loan: Actions prior to and upon August 14, 2001, authorized the City's general fund to loan the former redevelopment agency \$2,1110,000 to fund a variety of redevelopment plans under the former Agency's Adopted Redevelopment Plan. The City of San Dimas City Council and Redevelopment Agency Board approved the combining of this loan amount with the outstanding principal from the current Creative Growth outstanding balance under the loan agreement established by Resolutions 95-54 and Resolution 145. The approved loan payment schedule was approved on August 14, 2001, to the City of San Dimas City Council and the Redevelopment Agency Board.

The qualification of these Loans for RPTTF reimbursement has been an ongoing point of discussion between the City and State DOF. The DOF has directly stated that the loans may very well qualify as enforceable obligations, so long as the City can provide additional documentation evidencing loan and payment obligations, such as providing executed former redevelopment resolutions or equivalent documents agreeing to repay cash advances, further evidence of financial transfers such as general ledger postings, outstanding balances, principal balance back-up, etc.

City staff has provided the requested documentation to DOF to evidence the commitments and ledgers relating to the loans. However, the DOF will not review or provide a determination regarding the complete package of evidence submitted until the Successor Agency Board once again approves the loans as legitimate as was done on February 13, 2014, and reaffirmed on November 17, 2016. Since the discussion with DOF staff, City staff has identified further evidence to support claimed enforceability of the Loans for RPTTF purposes:

- As to the Rancho San Dimas Loan, City staff has identified the following documents as new evidence to be forwarded to DOF in support of this loan (see, Attachment "5"):
  - Loan agreements going back to origination to final loan agreement and supporting repayment schedules that were approved by the Redevelopment Agency Board.
  - Reconciliation schedules and Audited Financial Statements that tie to the outstanding principal of the loans.
  - Financial documentation showing actual cash transferred to the redevelopment agency from the General Fund for the purpose of the loan.
  - Independent Auditors review of documents and findings pertaining to items of documentation necessary to approve the loans per the Department of Finance.

Including the finding that the loan outstanding was related to a principal balance only and not accumulated interest.

- As to the Creative Growth Loan, City staff has identified the following documents as new evidence to be forwarded to DOF in support of this loan (see, Attachment “6”) Loan agreements going back to origination to final loan agreement and supporting repayment schedules that were approved by the Redevelopment Agency Board.
  - Reconciliation Schedules and Audited Financial Statements that tie to the outstanding principal of the loans.
  - Financial documentation showing actual cash transferred to the redevelopment agency from the General Fund for the purpose of the loan.
  - Independent Auditors review of documents and findings pertaining to items of documentation necessary to approve the loans per the Department of Finance. Including the finding that the loan outstanding was related to a principal balance only and not accumulated interest.

The proposed 2025-26 ROPS proposes to add these two loans as enforceable line items, with direction to City staff to provide the additional evidence supporting the loans to DOF.

Administrative Budget; DOF Review:

Along with the ROPS, an administrative budget must be approved by the Oversight Board and DOF for the July 1, 2025 to June 30, 2026 period (Attachment “3” hereto). Staff also requests that the Successor Agency authorize staff to change the ROPS 25-26 and/or the Administrative Budget if needed to satisfy requests from the DOF.

**ALTERNATIVES**

The Council and Successor Agency Board could elect to deny any or all of the Resolutions, keeping the City from pursuing payments for ongoing obligations, administrative costs and/or pursuit of repayment for the loans outstanding.

**ENVIRONMENTAL REVIEW**

Pursuant to CEQA guidelines Section 15061 (b)(3), CEQA does not apply to this item because there is no potential for causing a significant effect on the environment. Therefore, no additional environmental review is needed at this time.

Respectfully submitted,



Michael O'Brien  
Director of Administrative Services

Attachments:

1. Resolution 2024-86 Approval of 25-26 ROPS
2. Resolution 2024-87 Approval of Administrative Budget
3. Resolution 2024-88 Approval of Outstanding Loans
4. 2025-26 ROPS Summary and Detail
5. Administrative Budget Detail
6. Independent Auditor Review of requested items from the 2017 DOF determination letter.
7. Evidence Relating to Enforceability of Rancho San Dimas Loan, including loan agreements, Resolutions, minutes, approved repayment schedules, warrants, bank reconciliations, and journal entries establishing cash transfers from the General fund to the former Redevelopment Agency establishing the principal balance owed as well as reconciliation schedules and excerpts from audited financial statements tying to the principal balances owed.
8. Evidence Relating to Enforceability of Creative Growth Loan including loan agreements, Resolutions, minutes, approved repayment schedules, warrants, bank reconciliations, and journal entries establishing cash transfers from the General fund to the former Redevelopment Agency establishing the principal balance owed as well as reconciliation schedules and excerpts from audited financial statements tying to the principal balances owed.