



CITY OF DEL REY OAKS

Staff Report

DATE: September 22, 2026
TO: Honorable Mayor and Members of City Council
FROM: John Guertin, City Manager
SUBJECT: South Boundary Road Project - Transfer of Escrow Funds to an Interest-Bearing Escrow Account

CEQA: This action does not constitute a “project” as defined by the California Environmental Quality Act (CEQA) Guidelines section 15378 and is also subject to the general rule in section 15061(b)(3), because the action will not result in a direct or reasonably foreseeable indirect physical change in the environment.

RECOMMENDATION

Staff recommends that the City Council adopt the attached resolution authorizing the City Manager, or designee, to execute an agreement and all necessary documents to transfer \$7,269,813 held in the South Boundary Road Project escrow trust account with Chicago Title Company into an interest-bearing escrow account.

SUMMARY

The Fort Ord Reuse Authority (FORA) allocated \$7,269,813 for the South Boundary Road Project before FORA dissolved on June 30, 2020. The funds are currently held in a non-interest-bearing escrow account with Chicago Title Company. Because the South Boundary Road Project spans the cities of Del Rey Oaks and Monterey, both cities are joint signatories on the escrow account.

The project is currently in the design phase and escrow funds will begin to be spent. However, to date, the full \$7,269,813 remains in the account. Del Rey Oaks and Monterey propose transferring the funds to an interest-bearing escrow account so that the project funds can earn interest while construction remains pending. The original restrictions and terms governing the funds would remain in effect.

BACKGROUND

FORA was established in 1994 under California law to plan, facilitate, and manage the transfer and reuse of former Fort Ord property. In 2010, the FORA Board approved the South Boundary Road Project to realign and improve South Boundary Road and adopted an initial study and mitigated negative declaration for the project. FORA filed a Notice of Determination on August 17, 2010.

FORA was unable to proceed with the South Boundary Road Project for several years due to funding constraints. In 2017, FORA hired Whitson Engineers to prepare final plans and provide construction management services for the South Boundary Road Project and the General Jim Moore Boulevard/South Boundary Road intersection improvement project. As of June 2020, the final construction plans and specifications for the South Boundary Road Project had not been completed.

Prior to its dissolution, FORA allocated \$7,269,813 in its budget to substantially fund the South Boundary Road Project. Because FORA would dissolve before project completion, the FORA Executive Officer was authorized to establish an escrow account with Fidelity National Title

Company to hold and disburse the funds designated for the project. The funds have since been moved from Fidelity Title Company to Chicago Title Company.

The FORA Board approved the escrow terms on March 12, 2020, and the Del Rey Oaks City Council approved them on March 24, 2020. The cities of Del Rey Oaks and Monterey were appointed joint signatories because the project spans both jurisdictions. Eligible uses of the escrow funds are limited to costs associated with completion of plans and specifications, bid documents, construction, and related administrative and legal costs.

Under the escrow terms, if construction is not started within ten years after creation of the escrow account, or if funds remain after construction, the remaining funds are to be distributed in equal 20 percent shares to the County of Monterey and the cities of Monterey, Del Rey Oaks, Seaside, and Marina.

DISCUSSION

The Cities of Del Rey Oaks and Monterey authorized their City Managers to enter into the escrow agreement with FORA for the South Boundary Road Project funds.

Staff from Del Rey Oaks and Monterey would like to transfer the funds from the existing non-interest-bearing escrow account into an interest-bearing escrow account. The purpose of the transfer is limited to improved stewardship of the project funds while implementation is pending. The original FORA escrow terms, including restrictions on eligible expenditures and the provisions governing distribution of funds if construction does not begin within the specified period or if funds remain after construction, would remain intact.

Staff from Del Rey Oaks and Monterey are also developing a proposed agreement to structure implementation and oversight of the South Boundary Road Project. That agreement will be presented separately to both City Councils when completed.

FISCAL IMPACT

Approval will permit the transfer of \$7,269,813 in restricted South Boundary Road Project funds from the existing non-interest-bearing escrow account to an interest-bearing escrow account. The action does not authorize expenditure of the principal for purposes outside the existing escrow terms. Interest earnings will increase the financial resources held for the project, subject to the terms of the new escrow arrangement and the existing FORA restrictions.

ENVIRONMENTAL REVIEW

The proposed action is an administrative financial action and does not constitute a project under CEQA Guidelines section 15378 because it will not cause a direct or reasonably foreseeable indirect physical change in the environment. The action is also covered by the general rule in CEQA Guidelines section 15061(b)(3) because it can be seen with certainty that transferring funds between escrow accounts will not have a significant effect on the environment. Any subsequent discretionary approvals for the South Boundary Road Project will be evaluated for CEQA applicability at the time of those approvals. The South Boundary Road Project itself was previously reviewed by FORA through an initial study and mitigated negative declaration, with a Notice of Determination filed on August 17, 2010.

ATTACHMENTS

1. Resolution No. 2026-22

RESOLUTION NO. 2026-22

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF DEL REY OAKS AUTHORIZING AN AGREEMENT TO TRANSFER \$7,269,813 HELD IN ESCROW FOR THE BENEFIT OF THE CITY OF MONTEREY AND THE CITY OF DEL REY OAKS FOR THE SOUTH BOUNDARY ROAD PROJECT INTO AN INTEREST-BEARING ESCROW ACCOUNT

WHEREAS, in 2010, the Fort Ord Reuse Authority (“FORA”) Board of Directors approved a project to realign and improve South Boundary Road (the “South Boundary Road Project”) and approved an initial study and mitigated negative declaration for the project;

WHEREAS, in 2017, FORA hired Whitson Engineers to prepare final plans and provide construction management services for the South Boundary Road Project and the General Jim Moore Boulevard/South Boundary Road intersection improvement project; as of June 2020, final construction plans and specifications for the South Boundary Road Project had not been completed;

WHEREAS, prior to its dissolution, FORA allocated \$7,269,813 to partially fund the South Boundary Road Project and authorized establishment of an escrow account with Fidelity National Title Company to hold and disburse funds designated for the transportation improvement project and the account has since been transferred to Chicago Title Company;

WHEREAS, FORA ceased to exist on June 30, 2020, and the cities of Del Rey Oaks and Monterey are joint signatories for the South Boundary Road Project escrow account because the project spans both cities;

WHEREAS, eligible uses of the escrow funds are limited to costs related to completion of plans and specifications, bid documents, construction, and related administrative and legal costs;

WHEREAS, the Del Rey Oaks City Council approved the escrow terms on March 24, 2020, and the City of Monterey Council authorized its City Manager on June 2, 2020, to enter into the escrow agreement with FORA and Del Rey Oaks for the transfer of \$7,269,813 for the South Boundary Road Project into an escrow account with Fidelity National Title Company;

WHEREAS, Del Rey Oaks and Monterey, as joint signatories, desire to transfer the funds into an interest-bearing escrow account while retaining the original restrictions and terms governing the funds; and

WHEREAS, the City Council finds that the proposed transfer is not a project under the California Environmental Quality Act (“CEQA”) pursuant to CEQA Guidelines section 15378 because it will not cause a direct or reasonably foreseeable indirect physical change in the environment, and is also subject to the general rule in CEQA Guidelines section 15061(b)(3); the South Boundary Road Project was previously reviewed by FORA through an initial study and mitigated negative declaration, and any subsequent discretionary approvals will be assessed for CEQA applicability at the time of those approvals.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Del Rey Oaks that the foregoing recitals are true and correct and are incorporated into this Resolution as findings of the City Council.

BE IT FURTHER RESOLVED that the City Council authorizes the City Manager, or designee, to execute an agreement and all necessary documents to transfer \$7,269,813 from the escrow trust account held with Chicago Title Company and designated for the South Boundary Road Project into an interest-bearing escrow account, with the financial institution or escrow provider to be selected in coordination with the City of Monterey and the City’s financial staff, provided that the original restrictions and terms governing the funds remain in effect.

PASSED AND ADOPTED by the City Council of the City of Del Rey Oaks at a regular meeting held on September 22, 2026, by the following vote:

AYES: COUNCILMEMBERS:

NOES: COUNCILMEMBERS:

ABSENT: COUNCILMEMBERS:

ABSTAIN: COUNCILMEMBERS:

Scott Donaldson, Mayor

ATTEST:

Karen Minami, City Clerk