



Transmitted via e-mail

April 6, 2020

Melissa Whitten, City Manager
City of Avenal
919 Skyline Boulevard
Avenal, CA 93204

2020-21 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Avenal 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 9 – Assessor Parcel Number 040-103-009-000 property disposition error in the total outstanding amount of \$11,500 is not allowed. The Agency claims that funds received as a result of selling the parcel to the City of Avenal (City) in accordance with the approved Long-Range Property Management Plan (LRPMP), should be returned to the City. The Agency provided an email from its attorney stating that the property was mistakenly submitted to Finance for approval under the LRPMP because the Agency was not the owner. Based on the documents provided, this obligation does not meet the definition of an enforceable obligation outlined under dissolution statutes, and the request is inconsistent with the approved LRPMP which shall govern. Therefore, the requested amount of \$11,500 is not allowed from Redevelopment Property Tax Trust Fund (RPTTF) funds.
- On the ROPS 20-21 form, the Agency reported cash balances and activity for the period July 1, 2017 through June 30, 2018 (ROPS 17-18). According to our review, the Agency has approximately \$8,255 from Other Funds available to fund enforceable obligations on the ROPS 20-21. HSC section 34177 (l) (1) (E) requires these balances to be used prior to requesting RPTTF. 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. 1 – 2005 Revenue Bonds in the requested amount of \$339,850 is partially reclassified. Finance is approving RPTTF in the amount of \$331,595 and the use of Other Funds in the amount of \$8,255, totaling \$339,850.

- The claimed administrative costs exceed the allowance by \$19,532. HSC section 34171 (b) (3) limits the fiscal year Administrative Cost Allowance (ACA) to three percent of actual RPTTF distributed in the preceding fiscal year or \$250,000, whichever is greater; not to exceed 50 percent of the RPTTF distributed in the preceding fiscal year. As a result, the Agency's maximum ACA is \$134,918 for fiscal year 2020-21.

Although \$154,450 is claimed for ACA, only \$134,918 is available pursuant to the cap. Therefore, as noted in the table below, \$19,532 in excess ACA is not allowed:

Administrative Cost Allowance (ACA) Calculation	
Actual RPTTF distributed for fiscal year 2019-20	\$303,068
Less distributed Administrative RPTTF	(33,233)
RPTTF distributed for 2019-20 after adjustments	\$269,835
ACA Cap for 2020-21 per HSC section 34171 (b)	\$134,918
ACA requested for 2020-21	\$154,450
ACA in Excess of the Cap	\$(19,532)

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 17-18 period. Reported differences in RPTTF are used to offset current RPTTF distributions. The amount of RPTTF approved includes the prior period adjustment resulting from the County Auditor-Controller's review of the prior period adjustment form submitted by the Agency.

Based on our review of the prior period adjustment, Finance noted the Agency misspent a portion excess funds. Specifically, the Agency spent more than what was authorized for the ACA for ROPS 17-18. Finance authorized \$206,079 pursuant to the cap; yet a total of \$208,523 was reported. This is \$2,444 in excess of the maximum amount allowed pursuant to HSC section 34171 (b) (3). Further, pursuant to HSC section 34177 (a) (3), only those payments listed on a ROPS may be made by the Agency from the funds and source specified on the ROPS, up to the amount authorized by Finance. Finance reminds the Agency that funds in excess of the amounts authorized on the ROPS cannot be expended. Any excess funds must be retained and expended once the Agency receives approval for their use on future ROPS.

The Agency's maximum approved RPTTF distribution for the reporting period is \$409,503, 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 Dylan Newton, Staff, at (916) 322-2985.

Sincerely,

Original signed by Cheryl L. McCormick for:

JENNIFER WHITAKER
Program Budget Manager

cc: Dawn Perkins, Director of Administrative Services, City of Avenal
James P. Erb, Director of Finance, Kings County, Kings County

Approved RPTTF Distribution July 2020 through June 2021			
	ROPS A	ROPS B	ROPS 20-21 Total
RPTTF Requested	\$ 312,675	\$ 44,325	\$ 357,000
Administrative RPTTF Requested	77,225	77,225	154,450
Total RPTTF Requested	389,900	121,550	511,450
RPTTF Requested	312,675	44,325	357,000
<u>Adjustments</u>			
Item No. 1	(8,255)	0	(8,255)
Item No. 9	(11,500)	0	(11,500)
	(19,755)	0	(19,755)
RPTTF Authorized	292,920	44,325	337,245
Administrative RPTTF Requested	77,225	77,225	154,450
Excess Administrative Costs	0	(19,532)	(19,532)
Administrative RPTTF Authorized	77,225	57,693	134,918
ROPS 17-18 prior period adjustment (PPA)	(62,660)	0	(62,660)
Total RPTTF Approved for Distribution	\$ 307,485	\$ 102,018	\$ 409,503