



Transmitted via e-mail

April 10, 2020

Jose Gomez, Director of Finance and Administrative Services Department  
City of Lakewood  
5050 Clark Avenue  
Lakewood, CA 90712

### **2020-21 Annual Recognized Obligation Payment Schedule**

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Lakewood 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 February 2, 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 No. 18 – Supplemental Educational Revenue Augmentation Fund (SERAF) in the amount of \$2,715,627 is partially allowed. HSC section 34191.4 (b) (3) (A) allows this repayment to be equal to one-half of the increase between the ROPS residual pass-through distributed to the taxing entities in the preceding fiscal year and the ROPS residual pass-through distributed to the taxing entities in the fiscal year 2012-13 base year.

According to the Los Angeles County Auditor-Controller's (CAC) report, the amounts distributed to the taxing entities for fiscal year 2012-13 and 2019-20 are \$2,380,954 and \$3,079,723, respectively. Pursuant to the repayment formula, the maximum repayment amount authorized for the ROPS 20-21 period is \$349,384. As a result, \$2,366,243 (\$2,715,627 – \$349,384) is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding. The Agency may be eligible for additional funding on a subsequent ROPS.

- Item No. 30 – Proportionate Share of Unfunded Pension Liability in the total outstanding amount of \$1,738,660 is not allowed. Finance continues to deny this item. The contractual obligation for the unfunded pension liability is between the California Public Employees' Retirement System and the City of Lakewood (City); the former Redevelopment Agency (RDA) is not a party to the contract. In addition, during the ROPS 17-18 review, the Agency contended it is obligated to reimburse the City for its share of unfunded pension liability based on the Reimbursement Agreement between the City and the Agency dated June 25, 2002. Pursuant to HSC section 34171 (d) (2), agreements between the City and the former RDA are not considered enforceable obligations. Therefore, the requested amount of \$1,738,660 is not eligible for RPTTF funding.

- The claimed administrative costs exceed the allowance by \$4,083. 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 \$0 for fiscal year 2019-20. Although \$250,000 is claimed for ACA, only \$0 is available pursuant to the cap. Therefore, as noted in the table below, \$250,000 in excess ACA is not allowed:

<b>Administrative Cost Allowance (ACA) Calculation</b>	
Actual RPTTF distributed for fiscal year 2019-20	\$ 530,033
Less distributed Administrative RPTTF	(0)
Less sponsoring entity loan repayments	(38,200)
<b>RPTTF distributed for 2019-20 after adjustments</b>	<b>\$491,833</b>
ACA Cap for 2020-21 per HSC section 34171 (b)	\$ 245,917
ACA requested for 2020-21 after adjustments	250,000
<b>ACA in Excess of the Cap</b>	<b>\$(4,083)</b>

In addition, the Oversight Board (OB) has approved an amount of ACA that appears excessive, given the number and nature of the obligations listed on the ROPS. HSC section 34179 (i) requires the OB to exercise a fiduciary duty to the taxing entities. Therefore, Finance encourages the OB to apply adequate oversight when evaluating the administrative resources necessary to successfully wind-down the Agency.

Pursuant to HSC section 34186, successor agencies are required to report differences between actual payments and past estimated obligations (prior period adjustments) for the July 1, 2017 through June 30, 2018 (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 (PPA) resulting from the CAC's review of the PPA form submitted by the Agency. Total authorized RPTTF is insufficient to allow the entire PPA to be applied this ROPS period, resulting in an excess PPA of \$759,787 that should be applied prior to requesting RPTTF on future ROPS.

The Agency's maximum approved RPTTF distribution for the reporting period is \$0, 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/](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 Kylie Oltmann, Supervisor, or Nicole Prisakar, Staff, at (916) 322-2985.

Sincerely,

Original signed by Cheryl L. McCormick for:

JENNIFER WHITAKER  
Program Budget Manager

cc: Edianne Rodriguez, Assistant Director of Finance and Administrative Services  
Department, City of Lakewood  
Kristina Burns, Manager, Department of Auditor-Controller, Los Angeles County

Attachment

<b>Approved RPTTF Distribution July 2020 through June 2021</b>			
	<b>ROPS A</b>	<b>ROPS B</b>	<b>ROPS 20-21 Total</b>
RPTTF Requested	\$ 2,228,144	\$ 2,265,343	\$ 4,493,487
Administrative RPTTF Requested	125,000	125,000	250,000
<b>Total RPTTF Requested</b>	<b>2,353,144</b>	<b>2,390,343</b>	<b>4,743,487</b>
<b>RPTTF Requested</b>	<b>2,228,144</b>	<b>2,265,343</b>	<b>4,493,487</b>
<u>Adjustment(s)</u>			
Item No. 18	(1,008,430)	(1,357,813)	(2,366,243)
Item No. 30	(869,330)	(869,330)	(1,738,660)
	(1,877,760)	(2,227,143)	(4,104,903)
<b>RPTTF Authorized</b>	<b>350,384</b>	<b>38,200</b>	<b>388,584</b>
<b>Administrative RPTTF Requested</b>	<b>125,000</b>	<b>125,000</b>	<b>250,000</b>
Excess Administrative Costs	0	(4,083)	(4,083)
<b>Administrative RPTTF Authorized</b>	<b>125,000</b>	<b>120,917</b>	<b>245,917</b>
ROPS 17-18 prior period adjustment (PPA)	(475,384)	(918,904)	(1,394,288)
Excess PPA	0	759,787	759,787
<b>Total RPTTF Approved for Distribution</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>