



Transmitted via e-mail

May 15, 2020

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

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) determination letter dated April 3, 2020. Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Palmdale Successor Agency (Agency) submitted an annual ROPS for the period of July 1, 2020 through June 30, 2021 (ROPS 20-21) to Finance on January 27, 2020. The Agency requested a Meet and Confer on one of the determinations made by Finance. The Meet and Confer was held on April 9, 2020.

Based on a review of additional information and documentation provided to Finance during the Meet and Confer process, Finance has completed its review of the specific determination being disputed:

Item No. 6 – Loan from Housing for SERAF in the amount of \$250,000. The Agency initially requested \$250,000 in Redevelopment Property Tax Trust Fund (RPTTF) funding for the ROPS 20-21 period. During the Meet and Confer, the Agency requested an increase of \$2,450,000 in RPTTF for SERAF loan repayments to provide gap funding for an affordable housing development project. The circumstance for additional funding arose in March 2020 after the Agency submitted the ROPS, and the increased funding is requested for the July 1, 2020 through December 31, 2020 (ROPS 20-21A) period. However, the Oversight Board (OB) approved the ROPS for the current funding and the increase affects the residual property tax paid to the various taxing entities, which the OB has fiduciary responsibilities. Therefore, since the increase in funding has not been approved by the OB, the requested amount of \$2,450,000 is not allowed at this time. The Agency may be eligible for additional funding requested through an OB approved Amended ROPS pursuant to HSC section 34177 (o) (1) (E).

In addition, per Finance's letter dated April 3, 2020, we continue to make the following determinations not contested by the Agency during the Meet and Confer review:

- Item Nos. 60 and 65 – Property Assessments in the amount of \$20,000 and \$200,000, respectively, is partially allowed. The Agency is requesting RPTTF for property assessments. However, documentation provided by the Agency supports funding in the amount of \$10,000 for Item No. 60 and \$100,000 for Item No. 65. Therefore, Finance is reducing RPTTF funding in the amount of \$10,000 for Item No. 60 and \$100,000 for Item No. 65, totaling \$110,000.
- The claimed administrative costs exceed the allowance by \$34,913. 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. As a result, the Agency's maximum ACA is \$290,361 for fiscal year 2020-21. Although \$325,274 is claimed for ACA, only \$290,361 is available pursuant to the cap. Therefore, as noted in the table below, \$34,913 in excess ACA is not allowed.

<b>Administrative Cost Allowance (ACA) Calculation</b>	
Actual RPTTF distributed for fiscal year 2019-20	\$10,023,070
Less distributed Administrative RPTTF	(344,382)
Less sponsoring entity loan repayments	(0)
<b>RPTTF distributed for 2019-20 after adjustments</b>	<b>\$9,678,688</b>
ACA Cap for 2020-21 per HSC section 34171 (b)	\$290,361
ACA requested for 2020-21 after adjustments	325,274
<b>ACA in Excess of the Cap</b>	<b>(\$34,913)</b>

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 authorized includes the prior period adjustment (PPA) resulting from the County Auditor-Controller's review of the PPA form submitted by the Agency.

The Agency's maximum approved RPTTF distribution for the reporting period is \$10,920,910, 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.

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).

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 Todd Vermillion, Supervisor, or Jeremy Bunting, Staff, at (916) 322-2985.

Sincerely,

Original signed by Cheryl L. McCormick for:

JENNIFER WHITAKER  
Program Budget Manager

cc: Willy Galindo, Senior Financial Analyst, City of Palmdale  
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	\$ 4,360,804	\$ 6,450,219	\$ 10,811,023
Administrative RPTTF Requested	325,274	0	325,274
<b>Total RPTTF Requested</b>	<b>4,686,078</b>	<b>6,450,219</b>	<b>11,136,297</b>
<b>RPTTF Requested</b>	<b>4,360,804</b>	<b>6,450,219</b>	<b>10,811,023</b>
<u>Adjustment(s)</u>			
Item No. 60	(5,000)	(5,000)	(10,000)
Item No. 65	(50,000)	(50,000)	(100,000)
	(55,000)	(55,000)	(110,000)
<b>RPTTF Authorized</b>	<b>4,305,804</b>	<b>6,395,219</b>	<b>10,701,023</b>
<b>Administrative RPTTF Requested</b>	<b>325,274</b>	<b>0</b>	<b>325,274</b>
Excess Administrative Costs	34,913	0	34,913
<b>Administrative RPTTF Authorized</b>	<b>290,361</b>	<b>0</b>	<b>290,361</b>
ROPS 17-18 prior period adjustment (PPA)	(70,474)	0	(70,474)
<b>Total RPTTF Approved for Distribution</b>	<b>\$ 4,525,691</b>	<b>\$ 6,395,219</b>	<b>\$ 10,920,910</b>