



Transmitted via e-mail

May 17, 2021

Peter Grant, City Manager  
City of Cypress  
5275 Orange Avenue  
Cypress, CA 90630

### **2021-22 Annual Recognized Obligation Payment Schedule**

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 12, 2021. Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Cypress Successor Agency (Agency) submitted an annual ROPS for the period July 1, 2021 through June 30, 2022 (ROPS 21-22) to Finance on January 27, 2021. The Agency requested a Meet and Confer on one or more of the determinations made by Finance. The Meet and Confer was held on April 21, 2021.

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 determinations being disputed:

- Item Nos. 3, 4, 6, and 7 – Administrative Costs requested by the Agency exceed the Administrative Cost Allowance (ACA) by \$26,720. Finance continues to deny excess administrative costs. Finance previously denied the Agency's requested ACA of \$26,720 based on our calculation of the allowable ACA amount. During the Meet and Confer review, the Agency contends due to the complexity of the dissolution it has a need for administrative costs to complete the Agency dissolution. The Agency contends per HSC section 34171 (b) (3), ACA shall not be less than \$250,000 in any fiscal year, unless this amount is reduced by the oversight board or by agreement between the Agency and Finance. The Agency further states that the Agency and its Oversight Board agreed to a reduced ACA, and that Finance has statutory authority to approve the requested amount pursuant to HSC section 34171 (b) (3).

However, Finance disagrees with the Agency's interpretation of the ACA allowed by statute. Specifically, HSC section 34171 (b) (4) limits the fiscal year ACA to not exceed 50 percent of distributed Redevelopment Property Tax Trust Fund (RPTTF) in the preceding fiscal year. The Agency received no RPTTF distribution for fiscal year 2020-21. As a result, the Agency's maximum ACA for fiscal year 2021-22 is \$0. Therefore, the requested \$26,720 in ACA is not allowed.

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, 2018 through June 30, 2019 (ROPS 18-19) period. The ROPS 18-19 prior period adjustment (PPA) will offset the ROPS 21-22 RPTTF distribution. The Approved RPTTF Distribution table includes the PPA resulting from the County Auditor-Controller's (CAC) review of the PPA form submitted by the Agency. Because no RPTTF is authorized, the PPA cannot be applied to offset the ROPS 21-22 RPTTF distribution, resulting in an excess PPA.

The Agency's maximum approved RPTTF distribution for the reporting period is \$0, as summarized in the Approved RPTTF Distribution table (see Attachment).

HSC section 34187 (b) states that when all enforceable obligations have been retired or paid off, all real property has been disposed, and all outstanding litigation has been resolved, the successor agency shall, within 30 days of meeting the aforementioned criteria, submit to the Oversight Board a request, with a copy of the request to the CAC, to formally dissolve the successor agency. The Oversight Board shall approve the request within 30 days, and shall submit the request to the department. Given that the Agency's final obligations were set to be paid off at the end of the July 1, 2019 through June 30, 2020 period, and given that the Agency has no further obligations on the ROPS, it appears the Agency is in a position to move toward final dissolution.

All unspent RPTTF received for enforceable obligations by the Agency should be retained for distribution to the affected taxing entities pursuant to HSC section 34191.6 (d) (2) (G). Further, pursuant to HSC section 34187 (e), once an agency has retired or paid off all enforceable obligations and all real property has been disposed, the Agency is required to dispose all remaining assets and remit any proceeds to the CAC for distribution to the affected taxing entities.

This is our final determination regarding the obligations listed on the ROPS 21-22. This determination only applies to items when funding was requested for the 12-month period. If a determination by Finance in a previous ROPS is currently the subject of litigation, the item will continue to reflect the determination until the matter is resolved.

The ROPS 21-22 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 21-22 period only and should not be conclusively relied upon for future ROPS periods. All items listed on a future ROPS are subject to Finance's review and may be adjusted even if not adjusted 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 (j). Finance's review of Final and Conclusive items is limited to confirming the scheduled payments as required by the obligation.

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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 Mathew Rios, Staff, at (916) 322-2985.

Sincerely,

Original signed by Cheryl L. McCormick for:

JENNIFER WHITAKER  
Program Budget Manager

cc: Matt Burton, Director of Finance and Administrative Services, City of Cypress  
Wendy Tsui, Administrative Manager I, Property Tax Unit, Orange County

**Attachment**

<b>Approved RPTTF Distribution July 2021 through June 2022</b>			
	<b>ROPS A</b>	<b>ROPS B</b>	<b>Total</b>
RPTTF Requested	\$ 0	\$ 0	\$ 0
Administrative RPTTF Requested	25,795	925	26,720
<b>Total RPTTF Requested</b>	<b>25,795</b>	<b>925</b>	<b>26,720</b>
<b>RPTTF Authorized</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Administrative RPTTF Requested</b>	<b>25,795</b>	<b>925</b>	<b>26,720</b>
Excess Administrative Costs	(25,795)	(925)	(26,720)
<b>Administrative RPTTF Authorized</b>	<b>0</b>	<b>0</b>	<b>0</b>
ROPS 18-19 prior period adjustment (PPA)	0	(24,078)	(24,078)
Excess PPA	0	24,078	24,078
<b>Total RPTTF Approved for Distribution</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>

ICC: Rios, Vermillion, Takagi-Galamba, McAllister, McCormick, Whitaker

Final Path: J:\Audits and Review\ROPS 21-22 Letters PDF

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