



Transmitted via e-mail

May 17, 2021

Aldo E. Schindler, Director of Community Development
City of Downey
11111 Brookshire Avenue
Downey, CA 90241

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 6, 2021. Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Downey Successor Agency (Agency) submitted an annual ROPS for the period July 1, 2021 through June 30, 2022 (ROPS 21-22) to Finance on February 3, 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 13, 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:

- Administrative Cost Allowance (ACA) in the amount of \$250,000 exceeds the ACA by \$213,192. Finance continues to deny the excess administrative costs. The Agency's ACA was previously reduced based on the calculation of the allowable amount pursuant to HSC section 34171 (b). The Agency contends during ROPS 20-21, Finance reclassified the funding source for Item No. 1 – 1997 Tax Allocation Bond payment, from Redevelopment Property Tax Trust Fund (RPTTF) funding to Other Funds without the Agency's consent, resulting in decreased adjusted RPTTF distributed, which correspondingly decreased the ROPS 21-22 ACA. The Agency argues RPTTF funding for Item No. 6 – City Loan Agreement should have instead been reclassified. However, in an email from the Agency dated March 19, 2020, the Agency concurred with the reclassification, but did not specify the item.

The Agency also contends per HSC section 34171 (b) (3), the 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. 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 the RPTTF distributed in the preceding fiscal year.

The actual distributed RPTTF, reduced by the Agency's ACA and loan repayments made to the City was \$73,616. As a result, 50 percent of the RPTTF distributed is \$36,808; the Agency's maximum ACA for fiscal year 2021-22. Although \$250,000 is claimed for ACA, only \$36,808 is available pursuant to the cap. Therefore, as noted in the table below, \$213,192 in excess ACA is not allowed:

Administrative Cost Allowance (ACA) Calculation	
Actual RPTTF distributed for fiscal year 2020-21	\$1,163,079
Less distributed Administrative RPTTF	0
Less sponsoring entity loan repayments	(1,089,463)
RPTTF distributed for 2020-21 after adjustments	\$73,616
ACA Cap for 2021-22 per HSC section 34171 (b)	\$36,808
Total ACA requested for 2021-22	\$250,000
ACA in Excess of the Cap	(\$213,192)

In addition, per Finance's letter dated April 6, 2021, we continue to make the following determinations not contested by the Agency during the Meet and Confer review:

- On the ROPS 20-21 form, the Agency reported cash balances and activity for the period July 1, 2018 through June 30, 2019 (ROPS 18-19). According to our review, the Agency has approximately \$34,675 in Other Funds available to fund enforceable obligations on the ROPS 21-22. HSC section 34177 (l) (1) (E) requires these balances to be used prior to requesting RPTTF funding. 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. 10 – City Loan Agreement #26 in the amount of \$782,110 is partially reclassified. Finance is approving RPTTF in the amount of \$747,435 and the use of Other Funds in the amount of \$34,675, totaling \$782,110.

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 18-19 period. The ROPS 18-19 prior period adjustment (PPA) will offset the ROPS 21-22 RPTTF distribution. The amount of RPTTF authorized includes the 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 \$1,141,606, as summarized in the Approved RPTTF Distribution table (see Attachment).

RPTTF distributions occur biannually, one distribution for the July 1, 2021 through December 31, 2021 period (ROPS A period), and one distribution for the January 1, 2022 through June 30, 2022 period (ROPS B period), based on Finance's approved amounts.

Since this determination is for the entire ROPS 21-22 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

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 (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 Todd Vermillion, Supervisor, or Michael Barr, Staff, at (916) 322-2985.

Sincerely,

Original signed by Cheryl L. McCormick for:

JENNIFER WHITAKER
Program Budget Manager

cc: Jessica J. Flores, Economic Development and Housing Manager, City of Downey
Kristina Burns, Manager, Department of Auditor-Controller, Los Angeles County

Approved RPTTF Distribution July 2021 through June 2022			
	ROPS A	ROPS B	Total
RPTTF Requested	\$ 1,324,685	\$ 94,556	\$ 1,419,241
Administrative RPTTF Requested	125,000	125,000	250,000
Total RPTTF Requested	1,449,685	219,556	1,669,241
RPTTF Requested	1,324,685	94,556	1,419,241
<u>Adjustment(s)</u>			
Item No. 10	(34,675)	0	(34,675)
RPTTF Authorized	1,290,010	94,556	1,384,566
Administrative RPTTF Requested	125,000	125,000	250,000
Excess Administrative Costs	(88,192)	(125,000)	(213,192)
Administrative RPTTF Authorized	36,808	0	36,808
ROPS 18-19 prior period adjustment (PPA)	(279,768)	0	(279,768)
Total RPTTF Approved for Distribution	\$ 1,047,050	\$ 94,556	\$ 1,141,606

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

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

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