



Transmitted via e-mail

May 17, 2021

Jose Gomez, Director of Finance & Admin. Services Department
City of Lakewood
5050 Clark Avenue
Lakewood, CA 90712

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 Lakewood Successor Agency (Agency) submitted an annual ROPS for the period July 1, 2021 through June 30, 2022 (ROPS 21-22) to Finance on January 31, 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 22, 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. 17 and 26 – Administrative Costs requested in the amount of \$121,000 exceed the Administrative Cost Allowance (ACA) by \$121,000. 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 the ROPS 17-18 Prior Period Adjustment (PPA) netted out the approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the July 1, 2020 through June 30, 2021 (ROPS 20-21) period, and the ACA should be calculated on authorized RPTTF for distribution prior to the application of the PPA.

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 ACA is calculated based on actual distributed RPTTF, not authorized. As a result, the Agency's maximum ACA is \$0 for fiscal year 2021-22. Although \$120,000 is claimed for ACA, Item No. 26 in the amount of \$1,000 is considered an administrative cost and should be counted toward the cap. However, \$0 is available pursuant to the cap. Therefore, as noted in the table on the following page, \$121,000 in excess ACA continues to be disallowed:

Administrative Cost Allowance (ACA) Calculation	
Actual RPTTF distributed for fiscal year 2020-21	\$0
Less distributed Administrative RPTTF	0
Less sponsoring entity loan repayments	(38,200)
RPTTF distributed for 2020-21 after adjustments	\$0
ACA Cap for 2021-22 per HSC section 34171 (b)	\$0
ACA requested for 2021-22	120,000
Plus amount reclassified to ACA	1,000
Total ACA requested for 2021-22	\$121,000
ACA in Excess of the Cap	(\$121,000)

In addition, per Finance's letter dated April 12, 2021, we continue to make the following determinations not contested by the Agency during the Meet and Confer review:

- Item No. 18 – Supplemental Educational Revenue Augmentation Fund in the amount of \$2,366,243 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 2020-21 are \$2,380,954 and \$4,230,652, respectively. Therefore, pursuant to the repayment formula, the maximum repayment amount authorized for the ROPS 21-22 period is \$924,849. As a result, of the \$2,366,243 requested, \$1,441,394 (\$2,366,243 – \$924,849) is not eligible for RPTTF funding. The Agency may be eligible for additional funding on a subsequent ROPS.

- Item No. 26 – Litigation costs in the amount of \$1,000 have been reclassified to the Administrative RPTTF. Pursuant to HSC section 34171 (d) (1) (F) (i), legal expenses related to civil actions, including writ proceeding, contesting the validity of the dissolution law, or challenging acts taken pursuant to the dissolution law shall only be payable from the ACA. Therefore, this item is considered a general administrative cost and \$1,000 from RPTTF has been reclassified to the Administrative RPTTF.

- 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. Finance initially denied this item because 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 further contended it is obligated to reimburse the City for its share of unfunded pension liability based on the Reimbursement Agreement (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. Therefore, the Agreement is not enforceable and the requested amount of \$1,738,660 is not allowed for RPTTF funding.

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 CAC's review of the PPA form submitted by the Agency resulted in no PPA.

The Agency's maximum approved RPTTF distribution for the reporting period is \$963,049, 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.

Jose Gomez
May 17, 2021
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Please direct inquiries to Todd Vermillion, Supervisor, or Michael Painter, 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

Approved RPTTF Distribution July 2021 through June 2022			
	ROPS A	ROPS B	Total
RPTTF Requested	\$ 2,052,952	\$ 2,091,151	\$ 4,144,103
Administrative RPTTF Requested	60,000	60,000	120,000
Total RPTTF Requested	2,112,952	2,151,151	4,264,103
RPTTF Requested	2,052,952	2,091,151	4,144,103
<u>Adjustment(s)</u>			
Item No. 18	(720,697)	(720,697)	(1,441,394)
Item No. 26	(500)	(500)	(1,000)
Item No. 30	(869,330)	(869,330)	(1,738,660)
	(1,590,527)	(1,590,527)	(3,181,054)
RPTTF Authorized	462,425	500,624	963,049
Administrative RPTTF Requested	60,000	60,000	120,000
<u>Adjustment(s)</u>			
Item No. 26	500	500	1,000
Adjusted Administrative RPTTF	60,500	60,500	121,000
Excess Administrative Costs	(60,500)	(60,500)	(121,000)
Administrative RPTTF Authorized	0	0	0
Total RPTTF Approved for Distribution	\$ 462,425	\$ 500,624	\$ 963,049

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

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

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