



Transmitted via e-mail

April 11, 2025

Vilko Domic, Assistant City Manager
City of Commerce
2535 Commerce Way
Commerce, CA 90040

2025-26 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Commerce Successor Agency (Agency) submitted an annual Recognized Obligation Payment Schedule for the period July 1, 2025 through June 30, 2026 (ROPS 25-26) to the California Department of Finance (Finance) on February 6, 2025. Finance has completed its review of the ROPS 25-26.

Based on a sample of line items reviewed and application of the law, Finance made the following determinations:

- Item No. 24 – Property Maintenance in the total requested amount of \$45,000, is partially allowed. The documentation provided by the Agency indicated that some of the parcels that receive maintenance were not on the Agency's approved Long-Range Property Management Plan or have already been sold. Therefore, based on the documents provided, \$30,400 is supported, and the remaining \$14,600 (\$45,000 - \$30,400) is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.
- Item No. 77 – Debt Service for 2016 Bonds. The Agency requested \$2,321,125 in error. According to the debt service schedule, the requested amount for the ROPS 25-26 period should be \$2,309,328. Therefore, with the Agency's concurrence, Finance will decrease the requested RPTTF amount by \$11,797 to accurately reflect the required debt service.
- On the ROPS 25-26 form, the Agency reported cash balances and activity for the period July 1, 2022 through June 30, 2023 (ROPS 22-23). According to our review, the Agency has approximately \$942,765 from Other Funds available to fund enforceable obligations on the ROPS 25-26. HSC section 34177 (l) (1) (E) requires these balances to be used prior to requesting RPTTF funding. The item below 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 on the following page:

- Item No. 75 – Testing for Toxic Substances in the amount of \$1,421,934 is partially reclassified. Finance approves RPTTF in the amount of \$479,169 and the use of Other Funds in the amount of \$942,765, totaling \$1,421,934.
- The claimed administrative costs exceed the allowance by \$298,775. 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 \$251,225 for fiscal year 2025-26.
- Although \$300,000 is claimed for ACA, Item No. 62 – Legal cost for property disposition is considered an administrative cost and should be counted toward the cap. Therefore, as noted in the table below, \$298,775 in excess ACA is not allowed:

Administrative Cost Allowance (ACA) Calculation	
Actual RPTTF distributed for fiscal year 2024-25	\$8,624,178
Less distributed Administrative RPTTF	(250,000)
RPTTF distributed for 2024-25 after adjustments	8,374,178
ACA Cap for 2025-26 per HSC section 34171 (b)	251,225
ACA requested for 2025-26	250,000
Plus amount reclassified to ACA	300,000
Total ACA	550,000
ACA in Excess of the Cap	(\$298,775)

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 22-23 period. The ROPS 22-23 prior period adjustment (PPA) will offset the ROPS 25-26 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 \$7,054,710, as summarized in the Approved RPTTF Distribution table (see Attachment).

RPTTF distributions occur biannually, one distribution for the July 1, 2025 through December 31, 2025 period (ROPS A period), and one distribution for the January 1, 2026 through June 30, 2026 period (ROPS B period), based on Finance's approved amounts. Since this determination is for the entire ROPS 25-26 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 adjusted items, Finance approves the remaining items listed on the ROPS 25-26 at this time. If the Agency disagrees with our determination with respect to any items on the ROPS 25-26, except items that are the subject of litigation disputing our previous or related determinations, the Agency may request a Meet and Confer within five business days from the date of this letter. The Agency must use the RAD App to complete and submit its Meet and Confer request form. The Meet and Confer process and guidelines are available on our website:

http://dof.ca.gov/Programs/Redevelopment/Meet_And_Confer/

Absent a Meet and Confer, this is our final determination regarding the obligations listed on the ROPS 25-26. 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 25-26 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 25-26 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 RedevelopmentAdministration@dof.ca.gov.

Sincerely,

Original signed by:

Cheryl L. McCormick, CPA
Chief, Office of State Audits and Evaluations

cc: Francisco Larios, Accountant, City of Commerce
Linda Santillano, Property Tax Apportionment Division Chief, Los Angeles County
Cesar Hernandez, Countywide Oversight Board Representative

Attachment

Approved RPTTF Distribution July 2025 through June 2026			
	ROPS A	ROPS B	Total
RPTTF Requested	\$ 8,052,655	\$ 1,441,662	\$ 9,494,317
Administrative RPTTF Requested	125,000	125,000	250,000
Total RPTTF Requested	8,177,655	1,566,662	9,744,317
RPTTF Requested	8,052,655	1,441,662	9,494,317
<u>Adjustment(s)</u>			
Item No. 24	0	(14,600)	(14,600)
Item No. 62	(150,000)	(150,000)	(300,000)
Item No. 75	(301,798)	(640,967)	(942,765)
Item No. 77	(11,797)	0	(11,797)
	(463,595)	(805,567)	(1,269,162)
RPTTF Authorized	7,589,060	636,095	8,225,155
Administrative RPTTF Requested	125,000	125,000	250,000
<u>Adjustment(s)</u>			
Item No. 62	150,000	150,000	300,000
Adjusted Administrative RPTTF	275,000	275,000	550,000
Excess Administrative Costs	(23,775)	(275,000)	(298,775)
Administrative RPTTF Authorized	251,225	0	251,225
ROPS 22-23 Prior Period Adjustment (PPA)	(1,421,670)	0	(1,421,670)
Total RPTTF Approved for Distribution	\$ 6,418,615	\$ 636,095	\$ 7,054,710