



Transmitted via e-mail

April 4, 2025

Jose Gomez, Director of Finance and Administrative Services Department
City of Lakewood
5050 Clark Avenue
Lakewood, CA 90712

2025-26 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Lakewood 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 January 28, 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 Nos. 9, 19, and 20 – Housing Fund Deficit, Supplemental Educational Revenue Augmentation Fund, and Educational Revenue Augmentation Fund loans requested repayments, totaling \$1,366,734 (\$1,085,310 + \$190,932 + \$90,492), are partially allowed. HSC section 34191.4 (b) (3) (A) allows 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 ROPS residual pass-through amount distributed to the taxing entities for fiscal year 2012-13 and 2024-25 are \$2,380,954 and \$4,394,073, respectively. Pursuant to the repayment formula, the maximum repayment amount authorized for the ROPS 25-26 period is \$1,006,560. Therefore, of the \$1,366,734 requested, a total of \$360,174 (\$1,366,734 – \$1,006,560) is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding. Accordingly, Item No. 9 is partially allowed for \$725,136 and is not allowed for \$360,174, Item No. 19 is allowed for the requested \$190,932, and Item No. 20 is allowed for the requested \$90,492. The Agency may be eligible for additional funding on subsequent ROPS.

- Item No. 18 – Supplemental Educational Revenue Augmentation Fund loan in the total outstanding amount of \$23,756 is overstated. The Agency should update the outstanding loan balance to reflect amounts the Agency previously received to make loan repayments as approved on the ROPS. After applying the repayments in the amount of \$23,756, which was approved on the prior ROPS, the recalculated total outstanding loan balance should be \$0. As such, Finance has reduced the outstanding loan balance on the Agency's ROPS Detail Form by \$23,756. Therefore, the requested amount of \$23,756 is not allowed for RPTTF funding.
- Item No. 30 – Proportionate Share of Unfunded Pension Liabilities in the total outstanding amount of \$1,926,952 is not allowed. Finance continues to deny this item. 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. During the ROPS for the July 1, 2017 through June 30, 2018 period review, the Agency contended it is obligated to reimburse the City for its share of unfunded pension liability based on the Reimbursement 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 obligations. Therefore, the requested amount of \$1,926,952 is not allowed for RPTTF funding.
- 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 \$569,072 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 below items do not require payment from property tax revenues; therefore, with the Agency's concurrence, the funding sources for the following items have been reclassified in the amounts specified below:

Item No.	Item Name	Requested RPTTF/Admin RPTTF	Reclassified from RPTTF/Admin RPTTF	Reclassified to Other Funds	Approved RPTTF/Admin RPTTF	Total Approved
9	Housing Fund Deficit*	\$725,136	\$(362,568)	\$362,568	\$362,568	\$725,136
17	Administrative Costs	181,716	(65,792)	65,792	115,924	181,716
19	LMIHF Loan (SERAF)	190,932	(95,466)	95,466	95,466	190,932
20	LMIHF Loan (ERAF)	90,492	(45,246)	45,246	45,246	90,492
	Total	\$1,188,276	\$(569,072)	\$569,072	\$619,204	\$1,188,276

*The requested RPTTF amount reflects the allowable portion of RPTTF for Item No. 9 as detailed in the the first bullet: \$725,136 = (\$1,085,310 - \$360,174).

- The administrative costs claimed are within the fiscal year administrative cap pursuant to HSC section 34171 (b) (3). However, Finance notes the Oversight Board (OB) approved an amount that appears excessive, given the number and nature of the obligations listed on the ROPS. HSC section 34179 (i) requires the OB to exercise a fiduciary duty to the taxing entities. Therefore, Finance encourages the OB to apply adequate oversight when evaluating the administrative resources necessary to successfully wind-down the Agency.

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, 2022 through June 30, 2023 (ROPS 22-23) period. The ROPS 22-23 prior period adjustment (PPA) will offset the ROPS 25-26 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 \$619,204, 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 which 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: Edianne Rodriguez, Assistant Director of Finance and Administrative Services
Department, City of Lakewood
Linda Santillano, Property Tax Apportionment Division Chief, Los Angeles County
Martha Arana, Countywide Oversight Board Representative

Attachment

Approved RPTTF Distribution July 2025 through June 2026			
	ROPS A	ROPS B	Total
RPTTF Requested	\$ 1,658,721	\$ 1,658,721	\$ 3,317,442
Administrative RPTTF Requested	90,858	90,858	181,716
Total RPTTF Requested	1,749,579	1,749,579	3,499,158
RPTTF Requested	1,658,721	1,658,721	3,317,442
<u>Adjustment(s)</u>			
Item No. 9**	(542,655)	(180,087)	(722,742)
Item No. 18	(11,878)	(11,878)	(23,756)
Item No. 19	(95,466)	0	(95,466)
Item No. 20	(45,246)	0	(45,246)
Item No. 30	(963,476)	(963,476)	(1,926,952)
	(1,658,721)	(1,155,441)	(2,814,162)
RPTTF Authorized	0	503,280	503,280
Administrative RPTTF Requested	90,858	90,858	181,716
<u>Adjustment(s)</u>			
Item No. 17	(65,792)	0	(65,792)
Adjusted Administrative RPTTF	25,066	90,858	115,924
Administrative RPTTF Authorized	25,066	90,858	115,924
Total RPTTF Approved for Distribution	\$ 25,066	\$ 594,138	\$ 619,204

** The adjustment of \$722,742 reflects a net adjustment of \$360,174 disallowed and \$362,568 reclassified amounts.