



Transmitted via e-mail

May 16, 2025

Stacey Tang, Finance Director
City of Lemon Grove
3232 Main Street
Lemon Grove, CA 91945

2025-26 Annual Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated March 28, 2025. Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Lemon Grove Successor Agency (Agency) submitted an annual ROPS for the period July 1, 2025 through June 30, 2026 (ROPS 25-26) to Finance on January 29, 2025. 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 16, 2025.

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 No. 16 – City Loan in the total outstanding amount of \$890,328 is allowed. Finance no longer determines the outstanding balance to be \$706,212. The Agency provided documentation supporting actual payment amounts applied to the loan, which are the lesser of the approved amounts on the ROPS. Specifically, the Agency was approved \$550,000 for the July 1, 2022 through June 30, 2023 (ROPS 22-23) period, where the actual amount paid was \$457,942. Therefore, Finance recalculated the total outstanding loan balance to be \$890,328. The requested Redevelopment Property Tax Trust Fund (RPTTF) funding for \$550,000 remains approved.
- Item No. 35 – 2019 Tax Allocation Refunding Bonds in the requested amount of \$1,429,868 is partially allowed. Finance continues denying \$255,828. During the Meet and Confer, the Agency contested that the ROPS 22-23 determination letter dated March 25, 2022, approved \$665,000 in principal and \$244,797 in interest payments, totaling \$909,797, but the August 1, 2022 interest of \$255,828 was not included. The Agency did not request a Meet and Confer at that time due to staff changes, and the City of Lemon Grove (City) provided funding from its General Fund for the Agency to meet its debt service obligation. According to the County Auditor-Controller's (CAC) RPTTF distribution report for the ROPS 22-23 period, the Agency was fully funded, and therefore, there was no shortfall. Further, there is no outstanding obligation as the City provided funding. Therefore, \$255,828 is not allowed for RPTTF funding, and the ROPS 25-26 period debt service payment of \$1,174,040 remains approved.

In addition, per Finance's letter dated March 28, 2025, we continue to make the following determinations not contested by the Agency during the Meet and Confer review:

- 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 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 CAC's review of the PPA form submitted by the Agency.

The Agency's maximum approved RPTTF distribution for the reporting period is \$2,057,864, 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.

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.

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Please direct inquiries to RedevelopmentAdministration@dof.ca.gov.

Sincerely,

Original signed by:

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

cc: Lydia Romero, City Manager, City of Lemon Grove
Becky Greene, Manager, Auditor-Controller, San Diego County
Charissa Japlit, Countywide Oversight Board Representative

Attachment

Approved RPTTF Distribution July 2025 through June 2026			
	ROPS A	ROPS B	Total
RPTTF Requested	\$ 1,734,944	\$ 567,336	\$ 2,302,280
Administrative RPTTF Requested	51,735	51,735	103,470
Total RPTTF Requested	1,786,679	619,071	2,405,750
RPTTF Requested	1,734,944	567,336	2,302,280
<u>Adjustment(s)</u>			
Item No. 35	(255,828)	0	(255,828)
RPTTF Authorized	1,479,116	567,336	2,046,452
Administrative RPTTF Authorized	51,735	51,735	103,470
ROPS 22-23 Prior Period Adjustment (PPA)	(92,058)	0	(92,058)
Total RPTTF Approved for Distribution	\$ 1,438,793	\$ 619,071	\$ 2,057,864