



Transmitted via e-mail

April 11, 2025

Stephanie Sikkema, Finance Director  
City of West Covina  
1444 West Garvey Avenue  
West Covina, CA 91790

**2025-26 Annual Recognized Obligation Payment Schedule**

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of West Covina 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 27, 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. 11 – County deferral payments in the total outstanding amount of \$4,838,823. Finance continues to deny this item. This item was previously denied in multiple ROPS determination letters dated between April 15, 2019 and April 5, 2024, as it is our understanding this item is for deferred County pass-through payments. Pursuant to HSC section 34183 (a) (1), the County Auditor-Controller (CAC) shall make the required pass-through payments for any pass-through agreement between the former Redevelopment Agency (RDA) and a taxing entity entered into prior to January 1, 1994 that would be in force during that fiscal year, had the RDA existed at that time. This pass-through agreement between the former RDA, the City of West Covina (City), and the County of Los Angeles, was entered into on June 19, 1990. Therefore, the CAC is responsible for determining amounts owed and making payments under this pass-through agreement. As such, it is not necessary to place this obligation on the ROPS.

Further, in an email from the CAC dated March 12, 2025, the CAC states the obligation was paid off in January 2020. Therefore, the requested amount of \$4,838,823 from the Redevelopment Property Tax Trust Fund (RPTTF) is not allowed.

- Item Nos. 23 through 25 – City loan repayments in the total outstanding amount of \$2,184,423. Finance continues to deny these items. Finance initially denied these loans in its Oversight Board (OB) Resolution No. OB-0045 determination letter dated March 9, 2016. In addition, these items were denied in multiple ROPS determination letters dated between April 15, 2019 and May 17, 2024. Specifically, in February 1972, the RDA and the City entered into a Funding Agreement where the City made periodic advances through the budgeting appropriation process to the RDA for administrative, overhead, and capital improvement expenses. Under dissolution law, reimbursements for City personnel and use of City facilities are not considered a loan eligible for repayment. Therefore, the requested amounts of \$728,141 in RPTTF on each line totaling \$2,184,423 ( $\$728,141 \times 3$ ) are not allowed.
- Item No. 26 – Sales Tax Reimbursement in the total outstanding amount of \$7,050,992. Finance continues to deny this item. This item was previously denied in multiple ROPS determination letters dated between April 10, 2017 and May 17, 2024. Finance denied this item because the sales and use tax revenue received by the RDA per the 2005 Sales Tax Reimbursement Agreement are not funds transferred from the City; therefore, they are not considered loans of moneys in accordance with HSC section 34191.4 (b) (2) (A) and the requested amount of \$7,050,992 in RPTTF is not allowed.
- Item Nos. 50 and 51 – Unfunded Pension Liabilities and Retirement Benefits in the total outstanding amount of \$2,191,306. Finance continues to deny these items. These items were previously denied in multiple ROPS determination letters dated between April 10, 2017 and May 17, 2024. It is our understanding that contracts obligating the Agency for these costs are not in place. Therefore, the requested amount totaling \$2,191,306 ( $\$1,073,575 + \$1,117,731$ ) in RPTTF funding is not allowed.
- Item No. 76 – City Loan Agreement in the total outstanding amount of \$1,226,433. Finance continues to deny this item. This item was previously denied in multiple ROPS determination letters dated between April 10, 2017 and May 17, 2024 and also denied in Finance's OB-0030 and OB-0031 determination letter dated January 16, 2015. We continue to deny the City loan agreement to reimburse the City for litigation fees incurred during 2012. The Agency did not provide any additional documentation to support this request. Therefore, the requested amount of \$1,226,433 in RPTTF funding is not allowed.
- The claimed administrative costs exceed the allowance by \$28,900. 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 \$250,000 for fiscal year 2025-26. Although \$278,900 is claimed for ACA, only \$250,000 is available pursuant to the cap. Therefore, as noted in the table on the following page, \$28,900 in excess ACA is not allowed:

| <b>Administrative Cost Allowance (ACA) Calculation</b> |                   |
|--|-------------------|
| Actual RPTTF distributed for fiscal year 2024-25       | \$2,131,817       |
| Less distributed Administrative RPTTF                  | (179,430)         |
| <b>RPTTF distributed for 2024-25 after adjustments</b> | <b>1,952,387</b>  |
|  |                   |
| ACA Cap for 2025-26 per HSC section 34171 (b)          | 250,000           |
| ACA requested for 2025-26                              | 278,900           |
| <b>ACA in Excess of the Cap</b>                        | <b>(\$28,900)</b> |

In addition, the administrative costs approved after adjustments are within the fiscal year administrative cap pursuant to HSC section 34171 (b) (3). However, Finance notes the 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 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 \$1,923,104, 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/](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](mailto:RedevelopmentAdministration@dof.ca.gov).

Sincerely,

Original signed by:

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

cc: Paulina Morales, Assistant City Manager, City of West Covina  
Linda Santillano, Property Tax Apportionment Division Chief, Los Angeles County  
Cesar Hernandez, Countywide Oversight Board Representative

**Attachment**

| <b>Approved RPTTF Distribution<br/>July 2025 through June 2026</b> |                   |                     |                     |
|--|-------------------|---------------------|---------------------|
|  | <b>ROPS A</b>     | <b>ROPS B</b>       | <b>Total</b>        |
| RPTTF Requested  | \$ 17,873,978     | \$ 1,367,358        | \$ 19,241,336       |
| Administrative RPTTF Requested                                     | 139,450           | 139,450             | 278,900             |
| <b>Total RPTTF Requested</b>                                       | <b>18,013,428</b> | <b>1,506,808</b>    | <b>19,520,236</b>   |
| <b>RPTTF Requested</b>   | <b>17,873,978</b> | <b>1,367,358</b>    | <b>19,241,336</b>   |
| <u>Adjustment(s)</u>   |                   |                     |                     |
| Item No. 11  | (4,838,823)       | 0                   | (4,838,823)         |
| Item No. 23  | (728,141)         | 0                   | (728,141)           |
| Item No. 24  | (728,141)         | 0                   | (728,141)           |
| Item No. 25  | (728,141)         | 0                   | (728,141)           |
| Item No. 26  | (7,050,992)       | 0                   | (7,050,992)         |
| Item No. 50  | (1,073,575)       | 0                   | (1,073,575)         |
| Item No. 51  | (1,117,731)       | 0                   | (1,117,731)         |
| Item No. 76  | (1,226,433)       | 0                   | (1,226,433)         |
|  | (17,491,977)      | 0                   | (17,491,977)        |
| <b>RPTTF Authorized</b>  | <b>382,001</b>    | <b>1,367,358</b>    | <b>1,749,359</b>    |
| <b>Administrative RPTTF Requested</b>                              | <b>139,450</b>    | <b>139,450</b>      | <b>278,900</b>      |
| Excess Administrative Costs  | (0)               | (28,900)            | (28,900)            |
| <b>Administrative RPTTF Authorized</b>                             | <b>139,450</b>    | <b>110,550</b>      | <b>250,000</b>      |
| ROPS 22-23 Prior Period Adjustment (PPA)                           | (76,255)          | 0                   | (76,255)            |
| <b>Total RPTTF Approved for Distribution</b>                       | <b>\$ 445,196</b> | <b>\$ 1,477,908</b> | <b>\$ 1,923,104</b> |