



Transmitted via e-mail

May 17, 2022

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

2022-23 Annual Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 15, 2022. Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of West Covina Successor Agency (Agency) submitted an annual ROPS for the period July 1, 2022 through June 30, 2023 (ROPS 22-23) to Finance on January 26, 2022. 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 27, 2022.

Based on a review of additional information and documents provided to Finance during the Meet and Confer process, Finance has completed its review of the specific determinations being disputed:

- Item No. 11 – County deferral payments in the total outstanding amount of \$4,838,823 is not allowed. Finance continues to deny this item. This item was previously denied in our determination letters dated April 15, 2019, May 17, 2019, April 15, 2020, May 15, 2020, April 12, 2021, and May 17, 2021.

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, 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.

- Item Nos. 23 through 25 – City loan repayments in the total outstanding amount of \$21,844,242. Finance continues to deny these items. Finance initially denied these City loans in its OB Resolution No. OB-0045 determination letter dated March 9, 2016. In addition, these items were denied in our determination letters dated May 17, 2019, April 15, 2020, May 15, 2020, April 12, 2021, and May 17, 2021. 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 would not be considered a loan eligible for repayment. Therefore, the 1972 Funding Agreement is not an enforceable obligation and the requested amount of \$728,142 in Redevelopment Property Tax Trust Fund (RPTTF) for each line item, totaling \$2,184,426 ($\$728,142 \times 3$) 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 our determination letters dated April 10, 2017, May 17, 2017, April 7, 2018, May 17, 2018, April 15, 2019, May 17, 2019, April 15, 2020, May 15, 2020, April 12, 2021, and May 17, 2021. It is our understanding contracts obligating the Agency for these costs are not in place. HSC section 34163 (b) prohibits a RDA from entering into a contract with any entity after June 27, 2011. Therefore, the requested amount totaling \$2,191,306 ($\$1,073,575 + \$1,117,731$) in RPTTF funding is not allowed.
- Item 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 our determination letters dated April 10, 2017, May 17, 2017, April 7, 2018, May 17, 2018, April 15, 2019, May 17, 2019, April 15, 2020, May 15, 2020, April 12, 2021, and May 17, 2021. Finance continues to deny these items. Per Finance's OB-0030 and OB-0031 determination letter dated January 16, 2015, we continued to deny the City loan agreement to reimburse the City for litigation fees incurred during 2012 and claimed as ROPS Item Nos. 31 through 38, 73, and 101. Therefore, the requested amount of \$1,226,433 in RPTTF funding is not allowed.

In addition, per Finance's letter dated April 15, 2022, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

- Item 67 – Project administrative cost in the amount of \$30,000 is not allowed. The agency did not provide documentation to support the requested amount because there is no current agreement in place. Therefore, the requested amount of \$30,000 in RPTTF funding is not allowed. To the extent the Agency can provide suitable documentation, such as an executed contract, to support the requested amount, the Agency may be eligible for funding on a future ROPS.

- Item No. 106 – Financing Agreement in the total outstanding amount of \$820,185 is not allowed. This obligation has been fully funded with the last payment being approved during the July 1, 2021 through June 30, 2022 (ROPS 21-22) period. Therefore, this item is not eligible for the requested amount of \$820,185 in RPTTF funding.
- The claimed administrative costs exceed the allowance by \$58,200. 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 2022-23.

Although \$308,200 is claimed for ACA, only \$250,000 is available pursuant to the cap. Therefore, as noted in the table below, \$58,200 in excess ACA is not allowed:

Administrative Cost Allowance (ACA) Calculation	
Actual RPTTF distributed for fiscal year 2021-22	\$6,838,963
Less distributed Administrative RPTTF	(250,000)
Less sponsoring entity loan repayments	(383,579)
RPTTF distributed for 2021-22 after adjustments	\$6,205,384
ACA Cap for 2022-23 per HSC section 34171 (b)	\$250,000
ACA requested for 2022-23	\$308,200
Total ACA	\$308,200
ACA in Excess of the Cap	\$58,200

- On the ROPS 2022-23 form, the Agency reported cash balances and activity for the period July 1, 2019 through June 30, 2020 (ROPS 19-20). According to our review, the Agency has approximately \$37,500 from Other Funds available to fund enforceable obligations on the ROPS 2022-23. 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 has been reclassified in the amount specified below:
 - Item No. 6 – Supplemental Education Revenue Augmentation Fund 2010 Housing Loan in the amount of \$80,672 is partially reclassified. Finance is approving RPTTF in the amount of \$43,172 and the use of Other Funds in the amount of \$37,500, totaling \$80,672.

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, 2019 through June 30, 2020 (ROPS 19-20) period. The ROPS 19-20 prior period adjustment (PPA) will offset the ROPS 22-23 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 \$2,584,850, as summarized in the Approved RPTTF Distribution table (see Attachment).

RPTTF distributions occur biannually, one distribution for the July 1, 2022 through December 31, 2022 period (ROPS A period), and one distribution for the January 1, 2023 through June 30, 2023 period (ROPS B period), based on Finance's approved amounts. Since this determination is for the entire ROPS 22-23 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 22-23. 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 22-23 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 22-23 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.

Stephanie Sikkema
May 17, 2022
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Please direct inquiries to Zuber Tejani, Supervisor, or Michael Painter, Staff, at (916) 322-2985.

Sincerely,

Original signed by Cheryl L. McCormick for:

JENNIFER WHITAKER
Program Budget Manager

cc: Paulina Morales, Assistant City Manager, City of West Covina
Kristina Burns, Manager, Department of Auditor-Controller, Los Angeles County

Approved RPTTF Distribution July 2022 through June 2023			
	ROPS A	ROPS B	Total
RPTTF Requested	\$ 11,826,479	\$ 2,578,685	\$ 14,405,164
Administrative RPTTF Requested	152,000	156,200	308,200
Total RPTTF Requested	11,978,479	2,734,885	14,713,364
RPTTF Requested	11,826,479	2,578,685	14,405,164
<u>Adjustment(s)</u>			
Item No. 6	(37,500)	0	(37,500)
Item No. 11	(4,838,823)	0	(4,838,823)
Item No. 23	(728,142)	0	(728,142)
Item No. 24	(728,142)	0	(728,142)
Item No. 25	(728,142)	0	(728,142)
Item No. 50	(1,073,575)	0	(1,073,575)
Item No. 51	(1,117,731)	0	(1,117,731)
Item No. 67	(15,000)	(15,000)	(30,000)
Item No. 76	(1,226,433)	0	(1,226,433)
Item No. 106	(820,185)	0	(820,185)
	(11,313,673)	(15,000)	(11,328,673)
RPTTF Authorized	512,806	2,563,685	3,076,491
Administrative RPTTF Requested	152,000	156,200	308,200
Excess Administrative Costs	(0)	(58,200)	(58,200)
Administrative RPTTF Authorized	152,000	98,000	250,000
ROPS 19-20 prior period adjustment (PPA)	(664,806)	(76,835)	(741,641)
Total RPTTF Approved for Distribution	\$ 0	\$ 2,584,850	\$ 2,584,850