



Transmitted via e-mail

April 14, 2023

Joshua Nelson, City Manager
City of Industry
15625 East Stafford Street
City of Industry, CA 91744

2023-24 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Industry Successor Agency (Agency) submitted an annual Recognized Obligation Payment Schedule for the period July 1, 2023 through June 30, 2024 (ROPS 23-24) to the California Department of Finance (Finance) on January 30, 2023. Finance has completed its review of the ROPS 23-24.

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

- Item Nos. 201, 203, 211, 214, 291, 303, and 309 – Industry Business Center for improvement/infrastructure costs and traffic mitigation improvements in the total outstanding amount of \$5,527,610 is not allowed. The Agency did not provide documentation to support the requested amounts because no agreements have been finalized at this time. Therefore, the requested amounts totaling \$4,904,000 from Other Funds are not allowed. To the extent the Agency can provide suitable documentation, such as an executed contract, to support the requested amounts, the Agency may be eligible for funding on a future ROPS.
- Item No. 269 – City Reimbursement Agreement for property maintenance and other costs in the total outstanding amount of \$1,400,000 is not allowed. Pursuant to HSC section 34191.4 (b), loan agreements between the former Redevelopment Agency and sponsoring entity may be placed on the ROPS if the following requirements are met: (1) the Agency has received a Finding of Completion; and (2) the Agency's Oversight Board (OB) approves the loan as an enforceable obligation by finding the loan was for legitimate redevelopment purposes.

The Agency received a Finding of Completion on May 9, 2013. However, no OB Resolution has been approved for the City Reimbursement Agreement, determining the loan is an enforceable obligation and finding the loan was for legitimate redevelopment purposes. Therefore, the requested amount of \$1,400,000 is not eligible for Other Funds.

- The claimed administrative costs exceed the allowance by \$422,692. HSC section 34171 (b) (3) limits the fiscal year Administrative Cost Allowance (ACA) to three percent of actual Redevelopment Property Tax Trust Fund (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 \$522,408 for fiscal year 2023-24. Although \$945,100 for Other Funds is claimed for ACA, only \$522,408 is available pursuant to the cap. Therefore, as noted in the table below, \$422,692 in excess ACA is not allowed:

Administrative Cost Allowance (ACA) Calculation	
RPTTF distributed for 2022-23	\$17,413,597
ACA Cap for 2023-24 per HSC section 34171 (b)	\$522,408
ACA requested for 2023-24	945,100
ACA in Excess of the Cap	(\$422,692)

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, 2020 through June 30, 2021 (ROPS 20-21) period. The ROPS 20-21 prior period adjustment (PPA) will offset the ROPS 23-24 RPTTF distribution. The County Auditor-Controller's review of the PPA form submitted by the Agency resulted in no PPA.

However, Finance noted on the ROPS 20-21 PPA form, the Agency used Bond Proceeds in the amount of \$9,313 for a non-approved item (Item No. 117), and the Agency's expenditures exceeded Finance's authorization of Other Funds totaling \$1,852,781 for Item Nos. 166, 221, 276, 290, and 299. Pursuant to HSC section 34177 (a) (3), only those payments listed on a ROPS may be made by the Agency from the funds and source specified on the ROPS, up to the amount authorized by Finance. Finance reminds the Agency that funds in excess of the amounts authorized on the ROPS cannot be expended. Any excess funds must be retained and expended once the Agency receives approval for their use on future ROPS.

HSC sections 34177 (a) (4) and 34173 (h) provide mechanisms when Agency payments must exceed the amounts authorized by Finance. The Agency should ensure the proper expenditure authority is received from its OB and Finance prior to making payments on approved enforceable obligations.

The Agency's maximum approved RPTTF distribution for the reporting period is \$0, as summarized in the Approved RPTTF Distribution table (see Attachment). The Agency did not request any RPTTF funding and requested the use of Other Funds to fund its obligations.

RPTTF distributions occur biannually, one distribution for the July 1, 2023 through December 31, 2023 period (ROPS A period), and one distribution for the January 1, 2024 through June 30, 2024 period (ROPS B period), based on Finance's approved amounts. Since this determination is for the entire ROPS 23-24 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 23-24 at this time. If the Agency disagrees with our determination with respect to any items on the ROPS 23-24, 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 23-24. 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 23-24 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 23-24 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.

Joshua Nelson
April 14, 2023
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Please direct inquiries to Zuber Tejani, Supervisor, or Veronica Zalvidea, Staff, at (916) 322-2985.

Sincerely,

Original signed by Marilyn Standing Horse for:

JENNIFER WHITAKER
Program Budget Manager

cc: Yamini Pathak, Finance Director, City of Industry
Linda Santillano, Property Tax Apportionment Division Chief, Los Angeles County
Cesar Hernandez, Countywide Oversight Board Representative

Approved RPTTF Distribution July 2023 through June 2024			
	ROPS A	ROPS B	Total
RPTTF Requested	\$ 0	\$ 0	\$ 0
Administrative RPTTF Requested	0	0	0
Total RPTTF Requested	0	0	0
RPTTF Authorized	0	0	0
Administrative RPTTF Authorized	0	0	0
Total RPTTF Approved for Distribution	\$ 0	\$ 0	\$ 0