



Transmitted via e-mail

April 14, 2023

George Harris, Finance Director
City of Lancaster
44933 Fern Avenue
Lancaster, CA 93534

2023-24 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Lancaster 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 26, 2023. Finance notes there was a difference between the Oversight Board (OB) approved ROPS 23-24 and the ROPS 23-24 submitted to Finance. Therefore, Finance has completed its review of the OB approved ROPS 23-24.

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

- Item No. 94 – Supplemental Educational Revenue Augmentation Funds (SERAF) Loan from the Low and Moderate Housing Fund in the total outstanding amount of \$1,165,934 is overstated and the requested amount is partially allowed. The outstanding loan balance reported on the Agency's ROPS Detail Form has been reduced by \$466,031 to \$699,903. As a result, the Agency's current ROPS request of \$1,165,934 has been reduced to \$699,903 to only allow the funds necessary to fulfill this obligation. Therefore, \$466,031 is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.
- Item No. 95 – SERAF Loan from the Low and Moderate Housing Fund in the total outstanding amount of \$3,598,805 is not allowed. The Agency provided OB Resolution 09-15. However, this document alone is insufficient to support the requested amount because it does not support the total outstanding amount. Therefore, this item is not eligible for the requested amount of \$3,217,896 from RPTTF. To the extent the Agency can provide suitable documentation, such as the original deferral agreement or resolutions establishing the loan, along with accounting records to support the requested amounts, the item may be considered on a future ROPS.

- Item No. 302 – Property Maintenance Costs on land held by the Community Redevelopment Property Tax Fund (CRPTF) in the total requested amount of \$30,000 is not allowed. The Agency previously provided records showing CRPTF land held for resale. However, without delineating the types of services and costs with the associated properties, the documentation was insufficient to support the reasonableness of the requested amount. Additionally, the CRPTF properties listed included properties that were approved to be transferred to the City of Lancaster (City) upon Finance's approval of the Long-Range Property Management Plan dated February 21, 2014. Therefore, properties to be transferred to the City are not eligible for RPTTF funding. The Agency could not provide further details on the properties this funding request was associated with. Therefore, the requested amount of \$30,000 is not allowed for RPTTF funding. To the extent the agency can provide suitable documentation, such as the executed contract or vendor invoices, to support the requested amount for properties held for sale, the item may be considered on a future ROPS.
- The claimed administrative costs exceed the allowance by \$8,113. 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 \$399,349 for fiscal year 2023-24.

Although \$407,462 is claimed for ACA, only \$399,349 is available pursuant to the cap. Therefore, as noted in the table below, \$8,113 in excess ACA is not allowed:

Administrative Cost Allowance (ACA) Calculation	
Actual RPTTF distributed for fiscal year 2022-23	\$13,719,111
Less distributed Administrative RPTTF	(407,462)
RPTTF distributed for 2022-23 after adjustments	\$13,311,649
ACA Cap for 2023-24 per HSC section 34171 (b)	\$399,349
ACA requested for 2023-24	407,462
ACA in Excess of the Cap	(\$8,113)

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 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 \$13,604,900, as summarized in the Approved RPTTF Distribution table (see Attachment).

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.

George Harris
April 14, 2023
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Please direct inquiries to Zuber Tejani, Supervisor, or Austin Lange, Staff, at (916) 322-2985.

Sincerely,

Original signed by Marilyn Standing Horse for:

JENNIFER WHITAKER
Program Budget Manager

cc: Michael Allen, Finance Manager, City of Lancaster
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	\$ 13,383,806	\$ 4,956,055	\$ 18,339,861
Administrative RPTTF Requested	203,731	203,731	407,462
Total RPTTF Requested	13,587,537	5,159,786	18,747,323
RPTTF Requested	13,383,806	4,956,055	18,339,861
<u>Adjustment(s)</u>			
Item No. 94	0	(466,031)	(466,031)
Item No. 95	0	(3,217,896)	(3,217,896)
Item No. 302	(30,000)	0	(30,000)
	(30,000)	(3,683,927)	(3,713,927)
RPTTF Authorized	13,353,806	1,272,128	14,625,934
Administrative RPTTF Requested	203,731	203,731	407,462
Excess Administrative Costs	(0)	(8,113)	(8,113)
Administrative RPTTF Authorized	203,731	195,618	399,349
ROPS 20-21 Prior Period Adjustment (PPA)	(1,420,383)	0	(1,420,383)
Total RPTTF Approved for Distribution	\$ 12,137,154	\$ 1,467,746	\$ 13,604,900