



Transmitted via e-mail

April 12, 2024

Joshua Nelson, City Manager
City of Industry
15625 Mayor Dave Way
City of Industry, CA 91744

2024-25 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, 2024 through June 30, 2025 (ROPS 24-25) to the California Department of Finance (Finance) on January 31, 2024. Finance has completed its review of the ROPS 24-25.

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

- Item No. 269 – City Reimbursement Agreement for property maintenance and other costs in the total outstanding amount of \$1,400,000 from Other Funds is not allowed. This item was previously denied in our determination letter dated April 14, 2023; Finance continues to deny this item. Finance denied this item pursuant to HSC section 34191.4 (b), which states loan agreements between the former Redevelopment Agency and a 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.

The Agency provided OB 2013-17 approving the execution of an agreement for advance and reimbursement of property maintenance costs with the City of Industry (City) pursuant to HSC section 34173 (h). However, pursuant to HSC section 34173 (h), the City may loan the agency funds for property maintenance costs in the event the costs were approved on the ROPS but the Agency had a Redevelopment Property Tax Trust Fund (RPTTF) shortfall, whereas the property maintenance costs were unable to be paid. The Agency did not have a shortfall in the ROPS for the July 1, 2023 through June 30, 2024 period (ROPS 23-24), and this item was not approved for RPTTF as another line item on ROPS 23-24; therefore, this item is not an enforceable obligation, and the requested amount of \$700,000 is not eligible for Other Funds.

- Item 282 – City loan for appraisal fees in the total outstanding amount of \$100,000 from Other Funds is not allowed. It is our understanding the City paid the cost of appraisals for Agency properties and the requested amount of this item is to reimburse the City for the fees paid. However, the reimbursement to the City is not an enforceable obligation pursuant to HSC section 34171 (d) (1). Therefore, the requested amount of \$50,000 is not eligible for Other Funds.
- Item No. 302 – Construction contract in the requested amount of \$15,000,000 from Other Funds is partially allowed. It is our understanding a Contract Agreement between the Agency and Griffith Company states the Agency is obligated to pay Griffith Company for the improvements to maintenance roads, old Brea Canyon Road, detention basins, and final asphalt cap to Industry Way, Marcellin Drive, and Grand Crossing Parkway at a cost not to exceed \$10,317,700. Further, the remaining outstanding obligation amount reported on this ROPS period exceeds the \$10,317,700 Improvement/Infrastructure cap required by the Contract Agreement. Therefore, of the requested \$15,000,000, the excess \$4,682,300 is not eligible for Other Funds funding.
- Item Nos. 303, 309, and 317 – Industry East and Industry Business Center Traffic Mitigation Improvements, Industry Business Center, and Industry East Traffic Mitigation Improvements in the outstanding amounts of \$2,500,000, \$400,000, and \$500,000, respectively, totaling \$3,400,000, are 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 of \$2,500,000, \$400,000, and \$200,000, respectively, totaling \$3,100,000, 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.
- The claimed administrative costs exceed the allowance by \$1,153,640. 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 \$0 for fiscal year 2024-25.

Although \$1,078,104 from Other Funds is claimed for ACA, Item No. 314 for accounting, auditing, and consulting fees of the requested \$88,596 is partially considered an administrative cost and should be counted toward the cap. The Agency is required to have an annual audit pursuant to HSC section 34177 (n); therefore, the audit fees in the amount of \$13,060 of Other Funds are considered enforceable, whereas accounting and general consulting fees are considered administrative in nature and therefore the remaining \$75,536 should be counted towards the cap. Therefore, as noted in the table below, \$1,153,640 in excess ACA is not allowed:

Administrative Cost Allowance (ACA) Calculation	
RPTTF distributed for 2023-24 after adjustments	\$0
ACA Cap for 2024-25 per HSC section 34171 (b)	\$0
ACA requested for 2024-25	1,078,104
Plus amount reclassified to ACA	75,563
Total ACA	1,153,640
ACA in Excess of the Cap	(\$1,153,640)

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, 2021 through June 30, 2022 (ROPS 21-22) period. The ROPS 21-22 prior period adjustment (PPA) will offset the ROPS 24-25 RPTTF distribution. The amount of RPTTF approved includes the PPA resulting from the County Auditor-Controller's (CAC) review of the PPA form submitted by the Agency. The ROPS 24-25 did not include requests for RPTTF to allow the entire PPA to be applied this ROPS period, resulting in an excess PPA in the amount of \$10,777,662. Further, the Agency will not request RPTTF on future ROPS prior to dissolution. HSC section 34177 (d) requires remitting unencumbered balances of the Agency to the CAC for distribution to the taxing entities. Therefore, the Agency is to remit the \$10,777,662 excess PPA amount to the CAC.

Additionally, Finance noted on the ROPS 21-22 PPA form, the Agency used Bond Proceeds and Other Funds totaling \$35,727 for non-approved items (Item Nos. 123, 217, and 306), and the Agency's expenditures exceeded Finance's authorization of Other Funds totaling \$6,324 for Item Nos. 158 and 199. 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 a future ROPS.

HSC sections 34177 (a) (4) and 34173 (h) provide mechanisms when Agency payments 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).

RPTTF distributions occur biannually, one distribution for the July 1, 2024 through December 31, 2024 period (ROPS A period), and one distribution for the January 1, 2025 through June 30, 2025 period (ROPS B period), based on Finance's approved amounts. Since this determination is for the entire ROPS 24-25 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 24-25 at this time. If the Agency disagrees with our determination with respect to any items on the ROPS 24-25, 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 24-25. 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 24-25 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 24-25 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.

Sincerely,

Original signed by:

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

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 2024 through June 2025				
	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
ROPS 21-22 prior period adjustment (PPA)	(10,777,662)	0		(10,777,662)
Excess PPA	10,777,662	0		10,777,662
Total RPTTF Approved for Distribution	\$ 0	\$ 0	\$	0