



Transmitted via e-mail

April 5, 2024

Jose Gomez, Director of Finance and Administrative Services Department
City of Lakewood
5050 Clark Avenue
Lakewood, CA 90712

2024-25 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Lakewood 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 February 1, 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. 9 – Housing Fund Deficit in the total outstanding amount of \$1,085,310 is not allowed. HSC section 34171 (d) (1) (G) requires the Oversight Board (OB) to approve a repayment schedule for the amounts borrowed. The Agency has not submitted an OB Resolution approving the repayment schedule. Once the OB approves the loan and loan repayment schedule, and if the corresponding OB action is approved by Finance, the Agency may request funding for this item on a future ROPS. Therefore, the requested amount of \$1,085,310 from the Redevelopment Property Tax Trust Fund (RPTTF) is not allowed.
- Item Nos. 18, 19, and 20 – Supplemental Educational Revenue Augmentation Fund and Educational Revenue Augmentation Fund loans totaling \$776,356 (\$23,756 + \$662,108 + \$90,492) are partially allowed. HSC section 34191.4 (b) (3) (A) allows repayment to be equal to one-half of the increase between the ROPS residual pass-through distributed to the taxing entities in the preceding fiscal year and the ROPS residual pass-through distributed to the taxing entities in the fiscal year 2012-13 base year.

According to the Los Angeles County Auditor-Controller's (CAC) report, the ROPS residual pass-through amount distributed to the taxing entities for fiscal year 2012-13 and 2023-24 are \$2,380,954 and \$3,323,305, respectively. Pursuant to the repayment formula, the maximum repayment amount authorized for the ROPS 24-25 period is \$471,176. Therefore, of the \$776,356 requested, a total of \$305,180 (\$776,356 – \$471,176) is not eligible for RPTTF funding. Accordingly, Item No. 18 is allowed for the requested \$23,756, Item No. 19 is partially allowed for \$447,420 and is not allowed for \$214,688, and Item No. 20 is not allowed for \$90,492. The Agency may be eligible for additional funding on subsequent ROPS.

- Item No. 30 – Proportionate Share of Unfunded Pension Liabilities in the total outstanding amount of \$1,926,952 is not allowed. Finance continues to deny this item. The contractual obligation for the unfunded pension liability is between the California Public Employees' Retirement System and the City of Lakewood (City); the former Redevelopment Agency (RDA) is not a party to the contract. During the ROPS for the July 1, 2017 through June 30, 2018 period review, the Agency contended it is obligated to reimburse the City for its share of unfunded pension liability based on the Reimbursement Agreement between the City and the Agency dated June 25, 2002. Pursuant to HSC section 34171 (d) (2), agreements between the City and the former RDA are not considered enforceable obligations. Therefore, the requested amount of \$1,926,952 is not allowed for RPTTF funding.

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 CAC's review of the PPA form submitted by the Agency resulted in no PPA.

The Agency's maximum approved RPTTF distribution for the reporting period is \$643,470, 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: Edianne Rodriguez, Assistant Director of Finance & Administrative Services
Department, City of Lakewood
Linda Santillano, Property Tax Apportionment Division Chief, Los Angeles County
Martha Arana, Countywide Oversight Board Representative

Approved RPTTF Distribution July 2024 through June 2025			
	ROPS A	ROPS B	Total
RPTTF Requested	\$ 1,363,532	\$ 2,425,086	\$ 3,788,618
Administrative RPTTF Requested	86,147	86,147	172,294
Total RPTTF Requested	1,449,679	2,511,233	3,960,912
RPTTF Requested	1,363,532	2,425,086	3,788,618
<u>Adjustment(s)</u>			
Item No. 9	0	(1,085,310)	(1,085,310)
Item No. 19	0	(214,688)	(214,688)
Item No. 20	(45,246)	(45,246)	(90,492)
Item No. 30	(963,476)	(963,476)	(1,926,952)
	(1,008,722)	(2,308,720)	(3,317,442)
RPTTF Authorized	354,810	116,366	471,176
Administrative RPTTF Authorized	86,147	86,147	172,294
Total RPTTF Approved for Distribution	\$ 440,957	\$ 202,513	\$ 643,470