

County Auditor-Controller Prior Period Adjustment Guidelines

INTRODUCTION

Pursuant to Health and Safety Code section 34186 (c), successor agencies (agencies) are required to report the differences between the estimated obligations on past Recognized Obligation Payment Schedules (ROPS) and the actual expenditures.

Agencies will report the actual expenditures that were expended three years earlier than the upcoming Annual ROPS period. For example, if the upcoming Annual ROPS period is 2025-26, then the Agency would report the actual expenditures from ROPS 2022-23. See Table 1 for additional examples.

Table 1: PPA Reporting Pattern

Upcoming Annual ROPS Period	PPA Reporting Period
2026-27	2023-24
2027-28	2024-25

The differences are reported using the Prior Period Adjustment (PPA) Form, which is accessed using the Redevelopment Agency Dissolution Application (RAD App). The PPA Form is separate and distinct from the ROPS template and does not require an Oversight Board approval prior to submission to the County Auditor-Controller (CAC).

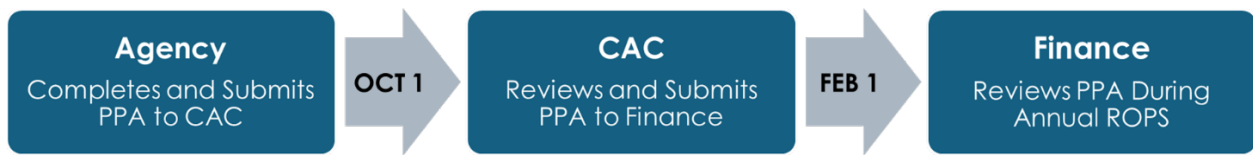
Pursuant to HSC section 34186 (a), CACs are required to review each agency's PPA Form to ensure the accuracy of the amounts reported and submit the results of their review to Finance by February 1.

The CAC's reviewed PPA Form is submitted to the California Department of Finance (Finance) for review and approval through the RAD App. The PPA Form is located at [RAD App](#).

CACs are authorized to reimburse themselves from the Redevelopment Property Tax Trust Fund (RPTTF) for the costs of administering these reviews pursuant to HSC section 34182 (e).

Finance interprets the PPA requirement to be applicable for agencies submitting an Annual ROPS as defined in HSC section 34177 (o). The PPA requirement for agencies with an approved Last and Final ROPS, as defined in HSC section 34191.6, is different from the Annual ROPS requirement. Therefore, if an agency is on an approved Last and Final ROPS, Finance does not believe an annual PPA is required. As such, these agencies will not be able to access a PPA Form from the RAD App.

Figure 1: PPA Process.



Review Guidelines

While the extent of the CAC's review of the PPA Form is at the CAC's discretion, below are some general guidelines and Finance's interpretation of what the law requires.

Available versus Authorized RPTTF

Authorized amounts are the RPTTF amounts approved by Finance for each line item. Available amounts are the RPTTF amounts distributed by the CAC, which may be less than or equal to the amount authorized. Available amounts should never be greater than authorized amounts.

Available

For line items funded by RPTTF, the Available column should report the RPTTF distributed by the CAC plus the previous PPA adjustment, if any.

$$\text{Available} = \text{CAC Distribution} + \text{PPA}$$

For Admin RPTTF, the column should report the available RPTTF distributed by the CAC on an aggregate basis.

The available RPTTF should only be less than authorized if the CAC distributed less than what was approved on the ROPS.

Column totals should be equal to the ROPS actual RPTTF distributed by the CAC plus all other funding available, such as, but not limited to, previous PPAs.

Calculating RPTTF Available and Admin Available

The first step is to review the ROPS letter table from the PPA period currently under review to determine if the Agency had a PPA.

Agency does NOT have a PPA

- If there was *sufficient* tax increment, then the CAC distributed the Total RPTTF Approved for Distribution (**Approved**) amounts as shown on the ROPS letter table. As a result, the RPTTF and Admin RPTTF Available (**Available**) amounts on the PPA form should equal the Approved amounts.

- If there was *insufficient* tax increment, then the CAC distributed less than the Approved amounts on the ROPS letter table. As a result, the Available amounts on the PPA form should equal the amounts distributed by the CAC. When this happens, the Agency has to decide which line items will not be fully funded, and then some or all of the Available amounts will be less than Approved.

Example: In this case, the letter table shows a PPA of \$0. In addition, the table shows that RPTTF Authorized equals \$1,151,682, and Administrative RPTTF Authorized equals \$250,000 (**Authorized**).

Assuming the CAC distributed the full Approved amounts, then the Authorized, Approved, and Available amounts are all equal. See the letter table and PPA forms below.

Approved RPTTF Distribution For the period of July 1, 2019 through June 30, 2020			
	ROPS A Period	ROPS B Period	ROPS 19-20 Total
RPTTF Requested	\$ 580,691	\$ 570,991	\$ 1,151,682
Administrative RPTTF Requested	200,000	50,000	250,000
Total RPTTF Requested	780,691	620,991	1,401,682
RPTTF Authorized	580,691	570,991	1,151,682
Administrative RPTTF Authorized	200,000	50,000	250,000
Total RPTTF Authorized for Obligations	780,691	620,991	1,401,682
Prior Period Adjustment	0	0	0
Total RPTTF Approved for Distribution	\$ 780,691	\$ 620,991	\$ 1,401,682

On the PPA form, the Agency should enter the individual line-item Available amounts that equal the total RPTTF and Admin RPTTF Authorized amounts, so the PPA form totals trace and agree to the letter table.

RPTTF					Admin RPTTF		
Authorized	Available	Lesser of Authorized / Available	Actual	Difference	Authorized	Available	Lesser of Authorized / Available
1,151,682	1,151,682	1,151,682	1,147,080	4,602	250,000	250,000	250,000

Agency has a PPA

- If there is *sufficient* tax increment, then the CAC distributes the Approved amounts. As a result, the Available amounts on the PPA form equal the Approved amounts **plus** the PPA.

- If there is *insufficient* tax increment, then the CAC distributed less than the Approved amounts. As a result, the Available amounts on the PPA form equal the amounts distributed by the CAC **plus** the PPA. When this happens, the Agency has to decide which line items will not be fully funded, and then some or all of the Available amounts will be less than Approved.

Example:

Assume the CAC distributed the full Approved amounts to the successor agency.

In this example, the letter table shows a PPA of \$713,020. Since the Agency has \$713,020 available for use from ROPS XX-XX, the CAC distributed the Approved amounts, which are \$713,020 less than \$29,533,252 (\$28,663,640 RPTTF Authorized + \$869,612 Administrative RPTTF Authorized).

ROPS letter table:

Total Authorized RPTTF = \$28,663,640 and total Admin RPTTF = \$869,612.

Approved RPTTF Distribution For the period of July 1, 2019 through June 30, 2020			
	ROPS A Period	ROPS B Period	ROPS 19-20 Total
RPTTF Requested	\$ 4,607,907	\$ 24,161,283	\$ 28,769,190
Administrative RPTTF Requested	434,806	434,806	869,612
Total RPTTF Requested	5,042,713	24,596,089	29,638,802
RPTTF Requested	4,607,907	24,161,283	28,769,190
<u>Adjustment</u>			
Item No. 385	(52,775)	(52,775)	(105,550)
RPTTF Authorized	4,555,132	24,108,508	28,663,640
Administrative RPTTF Authorized	434,806	434,806	869,612
Total RPTTF Authorized for Obligations	4,989,938	24,543,314	29,533,252
Prior Period Adjustment	(713,020)	0	(713,020)
Total RPTTF Approved for Distribution	\$ 4,276,918	\$ 24,543,314	\$ 28,820,232

To calculate the Available amounts on the PPA form, add the CAC distribution amounts and the PPA. If the distribution amount is not short, then Available equals Authorized.

RPTTF					Admin RPTTF		
Authorized	Available	Lesser of Authorized / Available	Actual	Difference	Authorized	Available	Lesser of Authorized / Available
28,663,640	28,663,640	28,663,640	29,545,143	118,497	869,612	869,612	869,612

Non-Administrative Line Items

Finance's approval of the ROPS provides spending authority on a line-item basis. As such, for each line item, an agency's ability to fund that line item is limited to the amounts authorized by Finance. To the extent an agency does not spend the entire amount for one line item, the unspent funds may **not** be used to exceed the authorized amount for another line item. See the example below.

Administrative Line Items

Because the amount approved for administrative costs is established in HSC section 34171 (b), these costs only need to be reported on an aggregate (total) basis. Therefore, our PPA instructions advise the agency not to report actual expenditures on a line-item basis, but instead require them to report administrative costs in the aggregate.

Additionally, should the total RPTTF distributed by the CAC be less than the amount approved by Finance, HSC section 34183 (a) lists the priority in which obligations are to be paid.

As a result, the agency is required to fund all of its non-administrative line items prior to funding any administrative costs.

Adjustments to Agency-Reported PPA amount

If the CAC determines an adjustment to the agency-reported PPA amount is necessary, please include a brief note in the appropriate line item(s) explaining why an adjustment was made. Also, it is advisable that adjustments be communicated to the agency.

Bond Refunding

Bonds are occasionally refunded after Finance has approved an agency's annual ROPS. In these situations, Finance authorizes agencies to apply funding requested for the original bonds toward the new, refunded bonds. Therefore, agencies should not add a new line item to the PPA Form for these refunded bonds. Rather, agencies are directed to report the actual expenditures for refunded bonds in the line item(s) for the original bonds. To the extent an agency did not use all of the originally authorized amounts to pay the refunded bonds, these unspent funds should be included in the PPA amount.

Bond Reserves

Finance often approves RPTTF for bonds to be held as reserves for future debt service payments (B for the A period). Under this scenario, agencies should report the encumbered amounts as an actual expenditure on the PPA form, as the funds should have been remitted to the bond trustee upon receipt.

Sometimes, an Agency will have excess bond reserves required by the bond indenture and the bond trustee will use those funds to make a portion of the bond payment instead of the RPTTF authorized on the ROPS. On both the PPA and Cash Balance Form, the Agency should change the funding source from the authorized RPTTF to Bond Proceeds. The difference in RPTTF will be included in the PPA.

Funding Source Change

HSC section 34177 (a) (4) allows agencies to make payments for enforceable obligations from sources other than those listed in the ROPS with approval from the OB. The PPA Forms are pre-populated with amounts approved by Finance in the Annual ROPS and will not include changes to funding sources per Finance's approval of an OB Resolution. Agencies should have included comments in the PPA Form to explain any deviation from the originally authorized funding amounts. However, the CAC may need to seek clarification from the agency if this situation applies.

Meet and Confer

Pursuant to HSC section 34177 (o) (1), agencies can request additional review by Finance and an opportunity to meet and confer on disputed ROPS determinations. Finance interprets this to include an adjustment as a result of the PPA review. In accordance with HSC 34186 (a) (1), the CAC's review of the PPA is subject to Finance's review and approval. Therefore, Finance may need to work with the CAC during the Annual ROPS review process and, if necessary, the meet and confer process to resolve any discrepancies.

Agencies Reporting Zero PPA

Finance believes the law requires a PPA Form to be submitted, regardless of whether or not the PPA is a zero-dollar amount. Therefore, agencies that indicate they have no PPA amount are still required to complete the PPA Form and submit it to the CAC.