



May 17, 2019

Mr. Aldo E. Schindler, Director of Community Development
City of Downey
11111 Brookshire Avenue
Downey, CA 90241

Dear Mr. Schindler:

Subject: 2019-20 Annual Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 9, 2019. Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the Downey Successor Agency (Agency) submitted an annual ROPS for the period July 1, 2019 through June 30, 2020 (ROPS 19-20) to Finance on January 30, 2019. The Agency requested a Meet and Confer on one or more of the determinations made by Finance. The Meet and Confer was held on April 22, 2019.

Based on a review of additional information and documentation provided to Finance during the Meet and Confer process, Finance has completed its review of the specific determination being disputed:

- Item No. 10 – City of Downey (City) Loan Agreement in the total outstanding obligation amount of \$2,253,020. Finance continues to deny this item. The Agency provided a loan agreement; however, the Agency did not provide general ledgers detailing the loan activity, showing an exchange of money, and the outstanding principal balance. However, HSC section 34171 (d) (1) (B) defines loans as *loans of moneys* borrowed by the redevelopment agency for a lawful purpose, to the extent they are legally required to be repaid pursuant to a required repayment schedule or other mandatory loan terms. Further, a loan agreement is defined under HSC section 34191.4 (b) (2) (A) as loans of money entered into between the former redevelopment agency and the city that created the former redevelopment agency in which the city *transferred money* to the former redevelopment agency for use by the former redevelopment agency for a lawful purpose, and where the former redevelopment agency was obligated to repay the money it received pursuant to a required repayment schedule. Therefore, the requested amount of \$639,356 from Redevelopment Property Tax Trust Fund (RPTTF) is not allowed.

In addition, per Finance's letter dated April 9, 2019, we continue to make the following determinations not contested by the Agency during the Meet and Confer review.

- Item No. 21 – California Public Employees' Retirement System Unfunded Pension Liabilities in the total outstanding amount of \$865,769. This item was previously denied in our determination letters dated March 16, 2017 and April 12, 2018, respectively. Finance continues to deny this item. It is our understanding contracts for this line item are not in place. HSC section 34163 (b) prohibits a RDA from entering into a contract with any entity after June 27, 2011. Therefore, this item is not an enforceable obligation and the requested amount of \$126,539 in RPTTF funding is not allowed.

- On the ROPS 19-20 form, the Agency reported cash balances and activity for the period July 1, 2016 through June 30, 2017 (ROPS 16-17). According to our review, the Agency has approximately \$1,230,638 from Reserve Balances and \$263,110 from Other Funds, totaling \$1,493,748, available to fund enforceable obligations on the ROPS 19-20. HSC section 34177 (l) (1) (E) requires these balances to be used prior to requesting RPTTF. Therefore, the funding source for the following items has been reclassified in the amounts specified below:
 - The following items do not require payment from property tax revenues and the Agency has \$1,230,638 in available Reserve Balances. Therefore, the funding source for these items has been reclassified and in the amounts as specified:

Item No.	Item Name/Project Name	Total Funding Authorized	RPTTF Approved	Admin RPTTF Approved	Reserve Balances Approved
1	1997 Tax Allocation Bond	\$ 632,156	\$20,675	\$0	\$ 611,481
3	Bob's Big Boy / OPA	25,000	0	0	25,000
7	Administrative Allowance	250,000	0	0	250,000
9	City Loan Agreement #25	230,379	0	0	230,379
22	Services for 1997 TAB	2,500	0	0	2,500
Total		\$1,140,035	\$20,675	\$0	\$1,119,360

After applying the available Reserve Balances to the items specified above, the Agency has excess Reserve Balances and Other Funds totaling \$374,388 (\$1,493,748 - \$1,119,360). Therefore, the Agency should request the use of these cash balances prior to requesting RPTTF in subsequent ROPS.

Pursuant to HSC section 34186, successor agencies are required to report differences between actual payments and past estimated obligations. Reported differences in RPTTF are used to offset current RPTTF distributions. The amount of RPTTF approved in the table on Page 4 includes the prior period adjustment resulting from the County Auditor-Controller's review of the prior period adjustment form submitted by the Agency.

The Agency's maximum approved RPTTF distribution for the reporting period is zero as summarized in the Approved RPTTF Distribution table on Page 4 (see Attachment).

RPTTF distributions occur biannually, one distribution for the July 1 through December 31 period (ROPS A period), and one distribution for the January 1 through June 30 period (ROPS B period) based on Finance approved amounts. Since this determination is for the entire ROPS 19-20 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

This is our final determination regarding the obligations listed on the ROPS 19-20. This determination only applies to items when funding was requested for the 12-month period. If a denial by Finance in a previous ROPS is currently the subject of litigation, the item will continue to be denied until the matter is resolved.

The ROPS 19-20 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 19-20 period only and should not be conclusively relied upon for future ROPS periods. All items listed on a future ROPS are subject to review and may be denied even if not denied 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 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 Nichelle Jackson, Supervisor, or Michael Painter, Analyst, at (916) 322-2985.

Sincerely,



 JENNIFER WHITAKER
Program Budget Manager

cc: Ms. Jessica Flores, Economic Development and Housing Manager, City of Downey
Ms. Kristina Burns, Manager, Department of Auditor-Controller, Los Angeles County

Attachment

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	\$ 1,539,849	\$ 116,081	\$ 1,655,930
Administrative RPTTF Requested	125,000	125,000	250,000
Total RPTTF Requested	1,664,849	241,081	1,905,930
RPTTF Requested	1,539,849	116,081	1,655,930
<u>Adjustments</u>			
Item No. 1	(495,400)	(116,081)	(611,481)
Item No. 3	(25,000)	0	(25,000)
Item No. 9	(230,379)	0	(230,379)
Item No. 10	(639,356)	0	(639,356)
Item No. 21	(126,539)	0	(126,539)
Item No. 22	(2,500)	0	(2,500)
	(1,519,174)	(116,081)	(1,635,255)
RPTTF Authorized	20,675	0	20,675
Administrative RPTTF Requested	125,000	125,000	250,000
<u>Adjustment</u>			
Item No. 7	(125,000)	(125,000)	(250,000)
Administrative RPTTF Authorized	0	0	0
Total RPTTF Authorized for Obligations	20,675	0	20,675
Prior Period Adjustment	(20,675)	0	(20,675)
Total RPTTF Approved for Distribution	\$ 0	\$ 0	\$ 0