



May 17, 2019

Mr. Bruno Naulls, Project Manager
City of Lynwood
11330 Bullis Road
Lynwood, CA 90262

Dear Mr. Naulls:

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 Lynwood Successor Agency (Agency) submitted an annual ROPS for the period July 1, 2019 through June 30, 2020 (ROPS 19-20) to Finance on January 31, 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 determinations being disputed:

- Item No. 7 – 2011 Tax Allocation Bonds Series A in the amount of \$1,594,150. Finance no longer reclassifies the excess proceeds for use on debt service. In lieu of using excess proceeds for debt service, the Agency is directed to use the excess proceeds to defease or purchase the bonds as set forth in HSC section 34191.4 (c) (2) (C).
- Item No. 44 – Litigation expenses for Special Counsel related to litigation for *LRA v. Barry Ross Case No. CV11 02207 (Case No. CV11 02207)*, total outstanding obligation amount of \$300,000. Finance continues to deny this item. Finance initially denied this item due to lack of supporting documentation. During the Meet and Confer, the Agency stated the Court approved Settlement Agreement (Agreement), dated January 23, 2014, awarded the Agency cash proceeds and assets to contribute towards the remediation activities required pursuant to the Polanco Act.

The scope of the Agreement does not support the requested payments. The Agreement is not only limited by its terms, but by law. Finance notes Section 5 of the Agreement is the only section referencing a duty to investigate and remediate property and such obligation is both a joint obligation of the City of Lynwood (City) and Agency and also limited to the use of the \$300,000 payment required in that section. However, since the \$300,000 from Aguirres was required to be paid to the City and not the Agency, it is unclear, at best, if the parties ever intended the Agency to be responsible for anything. Finally, any interpretation of the Agreement as support that the Agency was obligated to be involved in larger Polanco Act duties (as stated during the Meet and Confer) is limited not only by the Court's Order (concluding that the Agreement alone shall set forth the obligations of the parties), but also because any general obligations or authority of the Agency under the Polanco Act ceased as of the enactment of Dissolution Law. The intent of the parties and scope of the Agreement necessarily must be read in context of the applicable law in 2014 when the Agreement was entered into, which did not include powers or obligations of successor agencies to enter into new agreements or engage in the scope of work requested by the Agency.

Pursuant to HSC 34177.3 (a), agencies shall lack the authority to, and shall not create new enforceable obligations, or begin redevelopment work, except in compliance with an enforceable obligation.

Therefore, the total requested amount of \$300,000 from Redevelopment Property Tax Trust Fund (RPTTF) is not allowed. To the extent the Agency has access to the \$300,000 awarded in the Agreement, and can provide adequate documentation to support its specific responsibilities under the Agreement, this item may be eligible for funding from Other Funds on a future ROPS.

- Item No. 68 – Oversight Agreement with Department of Toxic Substances Control (DTSC) in the total outstanding and requested amount of \$63,872. Finance continues to deny this item. Finance initially denied this item due to a lack of supporting documentation.

During the Meet and Confer, the Agency provided a draft contract with the DTSC. Under the terms of the contract, DTSC will develop a Local Agency Environmental Oversight Agreement and perform preliminary remedial oversight work for properties located at the southeast corner of the intersection of Interstate 105 and Long Beach Boulevard.

Additionally, the Agency contends the contract is needed to comply with Case No. CV11 02207 (Item No. 44, above) and the Agreement requirements; however, as stated previously, the requirements per the Agreement are limited to the stated activities of investigation and remediation with the funds awarded in the Agreement. Again, it is unclear whether the Agency has access to the \$300,000 awarded, and since the Agreement identifies both the City and the Agency as responsible parties, the Agency's specific responsibilities pursuant to the Agreement are unclear.

Regardless, pursuant to HSC 34177.3 (a), agencies shall lack the authority to, and shall not create new enforceable obligations, or begin redevelopment work, except in compliance with an enforceable obligation. Finally, it is also important to note the Agency does not own the properties mentioned in the contract, and it is unclear how the DTSC can instruct the Agency to remediate property the Agency does not own.

Therefore, the total requested amount of \$63,872 from RPTTF is not allowed. To the extent the Agency can provide evidence it owns the properties, and has access to the \$300,000 awarded in the Settlement Agreement, this item may be eligible for funding from Other Funds on a future ROPS.

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 Nos. 11 and 101 – 1999 City and Agency Cooperation Agreement and 2010 Promissory Note loan repayments totaling \$685,404 is not 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 years 2012-13 and 2019-20 are zero. Pursuant to the repayment formula, the maximum repayment amount authorized for the ROPS 19-20 period is zero. Therefore, the total amount requested of \$685,404 (\$123,082 for Item No. 11 and \$562,322 for Item No. 101) is not eligible for RPTTF. The Agency may be eligible for additional funding on subsequent ROPS.

- Item No. 94 – Alameda Project Area Tax Allocation Refunding Bonds, Series 2013A debt service in the amount of \$54,828. The Agency requested \$54,828 from RPTTF in error. According to the debt service schedule provided by the Agency, the amount needed for the ROPS 19-20 period should be \$53,163. Therefore, to accurately reflect the correct debt service payment, Finance made an adjustment in the amount of \$1,665 in the ROPS 19-20 B period to decrease the total requested amount of \$54,828 to \$53,163.

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 5 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 \$9,184,231 as summarized in the Approved RPTTF Distribution table on Page 5 (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:

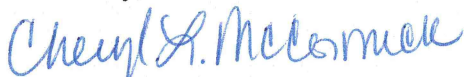
<http://dof.ca.gov/Programs/Redevelopment/ROPS/>

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 Veronica Zalvidea, Lead Analyst, at (916) 322-2985.

Sincerely,



JENNIFER WHITAKER
Program Budget Manager

cc: Ms. Lorry Hempe, Public Works Special Projects Manager, City of Lynwood
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	\$ 8,753,133	\$ 2,199,143	\$ 10,952,276
Administrative RPTTF Requested	125,000	125,000	250,000
Total RPTTF Requested	8,878,133	2,324,143	11,202,276
RPTTF Requested	8,753,133	2,199,143	10,952,276
<u>Adjustments</u>			
Item No. 11	(123,082)	0	(123,082)
Item No. 44	(150,000)	(150,000)	(300,000)
Item No. 68	(31,936)	(31,936)	(63,872)
Item No. 94	0	(1,665)	(1,665)
Item No. 101	(562,322)	0	(562,322)
	(867,340)	(183,601)	(1,050,941)
RPTTF Authorized	7,885,793	2,015,542	9,901,335
Administrative RPTTF Authorized	125,000	125,000	250,000
Total RPTTF Authorized for Obligations	8,010,793	2,140,542	10,151,335
Prior Period Adjustment	(967,104)	0	(967,104)
Total RPTTF Approved for Distribution	\$ 7,043,689	\$ 2,140,542	\$ 9,184,231