



April 9, 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

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Downey Successor Agency (Agency) submitted an annual Recognized Obligation Payment Schedule for the period of July 1, 2019 through June 30, 2020 (ROPS 19-20) to the California Department of Finance (Finance) on January 30, 2019. Finance has completed its review of the ROPS 19-20.

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

- Item No. 10 – City Loan Agreement in the total outstanding amount of \$2,253,020 is not approved. This item was previously denied in our determination letter dated April 12, 2018 and Finance continues to deny this item. HSC section 34191.4 (b) (2) (A) indicates certain loans are eligible for repayment if there was an exchange of money and the former Redevelopment Agency (RDA) was obligated to repay. 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. As such, it is not evident there was an exchange of money and Finance cannot approve the requested amount of \$639,356 in Redevelopment Property Tax Trust Fund (RPTTF) at this time.
- 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 on the following page:

- o 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 specified below:

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	\$ 495,400
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.

Except for the items adjusted, Finance is not objecting to the remaining items listed on the ROPS 19-20. If the Agency disagrees with our determination with respect to any items on the ROPS 19-20, 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 of the date of this letter. The Meet and Confer process and guidelines are available on our website:

<http://dof.ca.gov/Programs/Redevelopment/Meet And Confer/>

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.

Absent a Meet and Confer, 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 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 RPTTF.

Please direct inquiries to Kylie Oltmann, Supervisor, or Thong Thao, Lead 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