



Transmitted via e-mail

May 15, 2020

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

2020-21 Annual Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 14, 2020. Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Downey Successor Agency (Agency) submitted an annual ROPS for the period of July 1, 2020 through June 30, 2021 (ROPS 20-21) to Finance on February 1, 2020. The Agency requested a Meet and Confer on one of the determinations made by Finance. The Meet and Confer was held on April 22, 2020.

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. 7 - Administrative Costs requested by the Agency exceed the Administrative Cost Allowance (ACA) by \$250,000. Finance previously reduced the Agency's ACA based on our calculation of the allowable amount. The Agency was not distributed Redevelopment Property Tax Trust Fund (RPTTF) for the period of July 1, 2019 through June 30, 2020 (ROPS 19-20) and all ROPS 19-20 items were funded with the Agency's Reserve Balances. As a result, the Agency's allowed ACA for the ROPS 20-21 period is \$0.

During the Meet and Confer, the Agency contends the use of Reserve Balances in lieu of RPTTF to fund its ROPS 19-20 items should not prevent the Agency from receiving an ACA from RPTTF in the ROPS 20-21 period. However, Finance disagrees with the Agency's interpretation of the ACA allowed by statute.

HSC section 34171 (b) (3) limits the fiscal year ACA to three percent of actual RPTTF distributed in the preceding fiscal year or \$250,000, whichever is greater; not to exceed 50 percent of the RPTTF distributed in the preceding fiscal year. As a result, the Agency's maximum ACA is \$0 for fiscal year 2020-21. Although \$250,000 is claimed for ACA, \$0 is available pursuant to the cap. Therefore, as noted in the table on the following page, \$250,000 in excess ACA continues to be disallowed:

Administrative Cost Allowance (ACA) Calculation	
Actual RPTTF distributed for fiscal year 2019-20	\$0
Less distributed Administrative RPTTF	(0)
Less sponsoring entity loan repayments	(0)
RPTTF distributed for 2019-20 after adjustments	\$0
ACA Cap for 2020-21 per HSC section 34171 (b)	\$0
ACA requested for 2020-21 after adjustments	\$250,000
ACA in Excess of the Cap	\$(250,000)

In addition, per Finance's letter dated April 14, 2020, we continue to make the following determinations not contested by the Agency during the Meet and Confer review:

- On the ROPS 20-21 form, the Agency reported cash balances and activity for the period July 1, 2017 through June 30, 2018 (ROPS 17-18). According to our review, the Agency has approximately \$111,278 from Reserve Balances, and \$557,281 from Other Funds, totaling \$668,559, available to fund enforceable obligations on the ROPS 20-21. HSC section 34177 (I) (1) (E) requires these balances to be used prior to requesting RPTTF. These items do not require payment from property tax revenues; therefore, with the Agency's concurrence, the funding source for the following items have been reclassified in the amounts specified below:

Item No.	Item Name	Total Funding Approved	RPTTF Approved	Reserve Balances Approved	Other Funds Approved
1	1997 Tax Allocation Bond	\$631,656	\$105,575	\$0	\$526,081
10	City Loan Agreement #26	1,231,941	1,089,463	111,278	31,200
	Total	\$1,863,597	\$1,195,038	\$111,278	\$557,281

Pursuant to HSC section 34186, successor agencies are required to report differences between actual payments and past estimated obligations (prior period adjustments) for the ROPS 17-18 period. Reported differences in RPTTF are used to offset current RPTTF distributions. The amount of RPTTF authorized includes the prior period adjustment (PPA) resulting from the County Auditor-Controller's review of the PPA form submitted by the Agency.

The Agency's maximum approved RPTTF distribution for the reporting period is \$1,163,079, as summarized in the Approved RPTTF Distribution table (see Attachment).

RPTTF distributions occur biannually, one distribution for the July 1, 2020 through December 31, 2020 period (ROPS A period), and one distribution for the January 1, 2021 through June 30, 2021 period (ROPS B period), based on Finance's approved amounts. Since this determination is for the entire ROPS 20-21 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 20-21. 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 deemed denied until the matter is resolved.

The ROPS 20-21 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 20-21 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 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 Todd Vermillion, Supervisor, or Thong Thao, Staff, at (916) 322-2985.

Sincerely,

Original signed by Cheryl L. McCormick for:

JENNIFER WHITAKER
Program Budget Manager

cc: Francesca Navarro, Senior Accountant, City of Downey
Kristina Burns, Manager, Department of Auditor-Controller, Los Angeles County

Approved RPTTF Distribution July 2020 through June 2021			
	ROPS A	ROPS B	ROPS 20-21 Total
RPTTF Requested	\$ 1,765,022	\$ 105,575	\$ 1,870,597
Administrative RPTTF Requested	125,000	125,000	250,000
Total RPTTF Requested	1,890,022	230,575	2,120,597
RPTTF Requested	1,765,022	105,575	1,870,597
<u>Adjustment(s)</u>			
Item No. 1	(526,081)	0	(526,081)
Item No. 10	(142,478)	0	(142,478)
	(668,559)	0	(668,559)
RPTTF Authorized	1,096,463	105,575	1,202,038
Administrative RPTTF Requested	125,000	125,000	250,000
Excess Administrative Costs	(125,000)	(125,000)	(250,000)
Administrative RPTTF Authorized	0	0	0
ROPS 17-18 prior period adjustment (PPA)	(38,959)	0	(38,959)
Total RPTTF Approved for Distribution	\$ 1,057,504	\$ 105,575	\$ 1,163,079