



Transmitted via e-mail

April 12, 2021

Jose Gomez, Director of Finance & Administrative Services Department  
City of Lakewood  
5050 Clark Avenue  
Lakewood, CA 90712

### **2021-22 Annual Recognized Obligation Payment Schedule**

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Lakewood Successor Agency (Agency) submitted an annual Recognized Obligation Payment Schedule for the period July 1, 2021 through June 30, 2022 (ROPS 21-22) to the California Department of Finance (Finance) on January 31, 2021. Finance has completed its review of the ROPS 21-22.

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

- Item No. 18 – Supplemental Educational Revenue Augmentation Fund in the amount of \$2,366,243 is partially allowed. HSC section 34191.4 (b) (3) (A) allows this 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 amounts distributed to the taxing entities for fiscal year 2012-13 and 2020-21 are \$2,380,954 and \$4,230,652, respectively. Therefore, pursuant to the repayment formula, the maximum repayment amount authorized for the ROPS 21-22 period is \$924,849. As a result, of the \$2,366,243 requested, \$1,441,394 (\$2,366,243 – \$924,849) is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding. The Agency may be eligible for additional funding on a subsequent ROPS.

- Item No. 26 – Litigation costs in the amount of \$1,000 have been reclassified to the Administrative RPTTF. Pursuant to HSC section 34171 (d) (1) (F) (i), legal expenses related to civil actions, including writ proceeding, contesting the validity of the dissolution law, or challenging acts taken pursuant to the dissolution law shall only be payable from the Administrative Cost Allowance (ACA). Therefore, this item is considered a general administrative cost and \$1,000 from RPTTF has been reclassified to the Administrative RPTTF.

- Item No. 30 – Proportionate Share of Unfunded Pension Liability in the total outstanding amount of \$1,738,660 is not allowed. Finance continues to deny this item. Finance initially denied this item because the contractual obligation for the unfunded pension liability is between the California Public Employees' Retirement System and the City of Lakewood (City); the former Redevelopment Agency (RDA) is not a party to the contract. In addition, during the ROPS 17-18 review the Agency further contended it is obligated to reimburse the City for its share of unfunded pension liability based on the Reimbursement Agreement (Agreement) between the City and the Agency dated June 25, 2002. Pursuant to HSC section 34171 (d) (2), agreements between the City and the former RDA are not considered enforceable. Therefore, the Agreement is not enforceable and the requested amount of \$1,738,660 is not allowed for RPTTF funding.
- The claimed administrative costs exceed the allowance by \$121,000. 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 2021-22. Although \$120,000 is claimed for ACA, Item No. 26 is considered an administrative cost and should be counted toward the cap. Therefore, as noted in the table below, \$121,000 in excess ACA is not allowed:

<b>Administrative Cost Allowance (ACA) Calculation</b>	
Actual RPTTF distributed for fiscal year 2020-21	\$0
Less distributed Administrative RPTTF	0
Less sponsoring entity loan repayments	(38,200)
<b>RPTTF distributed for 2020-21 after adjustments</b>	<b>\$0</b>
ACA Cap for 2021-22 per HSC section 34171 (b)	\$0
ACA requested for 2021-22 after adjustments	120,000
Plus amount reclassified to ACA	1,000
<b>Total ACA requested for 2021-22</b>	<b>\$121,000</b>
<b>ACA in Excess of the Cap</b>	<b>(\$121,000)</b>

Pursuant to HSC section 34186, successor agencies are required to report differences between actual payments and past estimated obligations (prior period adjustments) for the July 1, 2018 through June 30, 2019 (ROPS 18-19) period. The ROPS 18-19 prior period adjustment (PPA) will offset the ROPS 21-22 RPTTF distribution. The CAC's review of the PPA form submitted by the Agency resulted in no PPA.

The Agency's maximum approved RPTTF distribution for the reporting period is \$963,049, as summarized in the Approved RPTTF Distribution table (see Attachment).

RPTTF distributions occur biannually, one distribution for the July 1, 2021 through December 31, 2021 period (ROPS A period), and one distribution for the January 1, 2022 through June 30, 2022 period (ROPS B period), based on Finance's approved amounts. Since this determination is for the entire ROPS 21-22 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

Except for the adjusted items, Finance does not object to the remaining items listed on the ROPS 21-22. If the Agency disagrees with our determination with respect to any items on the ROPS 21-22, 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 from 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/](http://dof.ca.gov/Programs/Redevelopment/Meet_And_Confer/)

The Agency must use the RAD App to complete and submit its Meet and Confer request form.

Absent a Meet and Confer, this is our final determination regarding the obligations listed on the ROPS 21-22. This determination only applies to items when funding was requested for the 12-month period. If a determination by Finance in a previous ROPS is currently the subject of litigation, the item will continue to reflect the determination until the matter is resolved.

The ROPS 21-22 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 21-22 period only and should not be conclusively relied upon for future ROPS periods. All items listed on a future ROPS are subject to Finance's review and may be adjusted even if not adjusted 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.

Jose Gomez  
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Please direct inquiries to Kylie Oltmann, Supervisor, or Nicole Prisakar, Staff, at (916) 322-2985.

Sincerely,

Original signed by Cheryl L. McCormick for:

JENNIFER WHITAKER  
Program Budget Manager

cc: Edianne Rodriguez, Assistant Director of Finance & Administrative Services  
Department, City of Lakewood  
Kristina Burns, Manager, Department of Auditor-Controller, Los Angeles County

<b>Approved RPTTF Distribution July 2021 through June 2022</b>			
	<b>ROPS A</b>	<b>ROPS B</b>	<b>Total</b>
RPTTF Requested	\$ 2,052,952	\$ 2,091,151	\$ 4,144,103
Administrative RPTTF Requested	60,000	60,000	120,000
<b>Total RPTTF Requested</b>	<b>2,112,952</b>	<b>2,151,151</b>	<b>4,264,103</b>
<b>RPTTF Requested</b>	<b>2,052,952</b>	<b>2,091,151</b>	<b>4,144,103</b>
<u>Adjustment(s)</u>			
Item No. 18	(720,697)	(720,697)	(1,441,394)
Item No. 26	(500)	(500)	(1,000)
Item No. 30	(869,330)	(869,330)	(1,738,660)
	(1,590,527)	(1,590,527)	(3,181,054)
<b>RPTTF Authorized</b>	<b>462,425</b>	<b>500,624</b>	<b>963,049</b>
<b>Administrative RPTTF Requested</b>	<b>60,000</b>	<b>60,000</b>	<b>120,000</b>
<u>Adjustment(s)</u>			
Item No. 26	500	500	1,000
<b>Adjusted Administrative RPTTF</b>	<b>60,500</b>	<b>60,500</b>	<b>121,000</b>
Excess Administrative Costs	(60,500)	(60,500)	(121,000)
<b>Administrative RPTTF Authorized</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total RPTTF Approved for Distribution</b>	<b>\$ 462,425</b>	<b>\$ 500,624</b>	<b>\$ 963,049</b>