



Transmitted via e-mail

March 25, 2022

Anita Agramonte, Administrative Services Director
City of Covina
125 East College Street
Covina, CA 91723

2022-23 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Covina Successor Agency (Agency) submitted an annual Recognized Obligation Payment Schedule for the period July 1, 2022 through June 30, 2023 (ROPS 22-23) to the California Department of Finance (Finance) on January 24, 2022. Finance has completed its review of the ROPS 22-23.

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

- Item No. 13 – Unfunded Employee Obligations in the total outstanding amount of \$70,000 continue to be denied. It is our understanding the Memorandum of Understanding entered into for the period July 1, 2013 through June 30, 2016 is between the City of Covina (City) and American Federation of State, County, and Municipal Employees; the former Redevelopment Agency (RDA) is not a party to this agreement. Therefore, this item is not an enforceable obligation and the requested amount of \$35,000 from the Redevelopment Property Tax Trust Fund (RPTTF) is not allowed.
- Item No. 36 – Housing Entity Administrative Allowance in the amount of \$300,000 requested in RPTTF is not allowed. This item was initially denied in our determination letter dated December 17, 2015 and Finance continues to deny this item. Pursuant to HSC section 34171 (p), the housing successor administrative cost allowance is applicable only in cases in which the city, county, or city and county that authorized the creation of the RDA elected to not assume the housing functions. Because the housing successor to the former RDA is the City-formed Housing Authority (Authority) and the Authority operates under the control of the City, the Authority is considered the City under dissolution law pursuant to HSC section 34167.10. Therefore, \$300,000 of housing successor administrative cost allowance is not allowed.

- Item No. 44 – Long-Range Property Management Plan Property (LRPMP) Disposition costs in the amount of \$103,000 are partially allowed. It is our understanding the funding request relates to properties approved for sale (Properties 8 and 10) and transfer to the City to fulfill an enforceable obligation or to be sold if a compensation agreement could not be reached (Property 2). The Agency provided clarification that Property 2 is currently under lease and not for sale. Property disposition costs related to Property 2 are not eligible for funding. Therefore, of the requested \$103,000, \$40,000 is not eligible for Other Funds funding on the current ROPS.
- The administrative costs claimed are within the fiscal year administrative cap pursuant to HSC section 34171 (b) (3). However, Finance notes the Oversight Board (OB) has approved an amount that appears excessive, given the number and nature of the obligations listed on the ROPS. HSC section 34179 (i) requires the OB to exercise a fiduciary duty to the taxing entities. Therefore, Finance encourages the OB to apply adequate oversight when evaluating the administrative resources necessary to successfully wind-down the Agency.

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, 2019 through June 30, 2020 (ROPS 19-20) period. The ROPS 19-20 prior period adjustment (PPA) will offset the ROPS 22-23 RPTTF distribution. The County Auditor-Controller's review of the PPA form submitted by the Agency resulted in no prior period adjustment.

The Agency's maximum approved RPTTF distribution for the reporting period is \$2,968,151, as summarized in the Approved RPTTF Distribution table (see Attachment).

RPTTF distributions occur biannually, one distribution for the July 1, 2022 through December 31, 2022 period (ROPS A period), and one distribution for the January 1, 2023 through June 30, 2023 period (ROPS B period), based on Finance's approved amounts. Since this determination is for the entire ROPS 22-23 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 approves the remaining items listed on the ROPS 22-23 at this time. If the Agency disagrees with our determination with respect to any items on the ROPS 22-23, 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/

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 22-23. 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 22-23 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 22-23 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.

Please direct inquiries to Joshua Mortimer, Supervisor, or Carla Villa, Staff, at (916) 322-2985.

Sincerely,

Original signed by Cheryl L. McCormick for:

JENNIFER WHITAKER
Program Budget Manager

cc: Alan Sands, Senior Accountant, City of Covina
Kristina Burns, Manager, Department of Auditor-Controller, Los Angeles County

Attachment

| Approved RPTTF Distribution July 2022 through June 2023 | | | |
|--|------------------|---------------------|---------------------|
| | ROPS A | ROPS B | Total |
| RPTTF Requested | \$ 210,013 | \$ 3,093,138 | \$ 3,303,151 |
| Administrative RPTTF Requested | 0 | 0 | 0 |
| Total RPTTF Requested | 210,013 | 3,093,138 | 3,303,151 |
| RPTTF Requested | 210,013 | 3,093,138 | 3,303,151 |
| <u>Adjustment(s)</u> | | | |
| Item No. 13 | (17,500) | (17,500) | (35,000) |
| Item No. 36 | (150,000) | (150,000) | (300,000) |
| | (167,500) | (167,500) | (335,000) |
| RPTTF Authorized | 42,513 | 2,925,638 | 2,968,151 |
| Administrative RPTTF Authorized | 0 | 0 | 0 |
| Total RPTTF Approved for Distribution | \$ 42,513 | \$ 2,925,638 | \$ 2,968,151 |