



Transmitted via e-mail

May 17, 2022

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

2022-23 Annual Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 13, 2022. Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the Lakewood Successor Agency (Agency) submitted an annual ROPS for the period of July 1, 2022 through June 30, 2023 (ROPS 22-23) to Finance on January 27, 2022. 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 28, 2022.

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 Nos. 18, 19, and 20 – Supplemental Educational Revenue Augmentation Fund loans in the total outstanding amounts of \$1,441,394 and \$662,108, and Educational Revenue Augmentation Fund loan in the total outstanding amount of \$90,492, respectively. Finance no longer denies these items. Based on the additional information provided during the Meet and Confer, it was determined the Oversight Board (OB) approved a repayment schedule on January 28, 2016, and subsequently submitted it to Finance. Therefore, pursuant to HSC section 34171 (d) (1) (G), these items are enforceable obligations.

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 report, the ROPS residual pass-through amount distributed to the taxing entities for fiscal year 2012-13 and 2021-22 are \$2,380,954 and \$3,704,823, respectively. Pursuant to the repayment formula, the maximum repayment amount authorized for the ROPS 22-23 period is \$661,935. Therefore, of the \$1,441,394 requested for Item No. 18, \$779,459 (\$1,441,394 – \$661,935) is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding. In addition, the \$662,108, and \$90,492 requested for Item Nos. 19 and 20 respectively, are not eligible for RPTTF funding at this time. The Agency may be eligible for additional funding on subsequent ROPS.

In addition, per Finance's letter dated April 13, 2022, we continue to make the following determinations not contested by the Agency during the Meet and Confer review:

- Item No. 30 – Proportionate Share of Unfunded Pension Liability in the total outstanding amount of \$1,926,952 is not allowed. Finance continues to deny this item. 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. During the ROPS for the July 1, 2017 through June 30, 2018 period review, the Agency contended it is obligated to reimburse the City for its share of unfunded pension liability based on the Reimbursement 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 obligations. Therefore, the requested amount of \$1,926,925 is not allowed for RPTTF funding.
- The administrative costs claimed are within the fiscal year administrative cap pursuant to HSC section 34171 (b) (3). However, Finance notes the 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 Redevelopment Property Tax Trust Fund (RPTTF) distribution. The County Auditor-Controller'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 \$911,935, 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.

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 Zuber Tejani, Supervisor, or Michael Barr, 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

Approved RPTTF Distribution July 2022 through June 2023			
	ROPS A	ROPS B	Total
RPTTF Requested	\$ 2,060,473	\$ 2,060,473	\$ 4,120,946
Administrative RPTTF Requested	125,000	125,000	250,000
Total RPTTF Requested	2,185,473	2,185,473	4,370,946
RPTTF Requested	2,060,473	2,060,473	4,120,946
<u>Adjustment(s)</u>			
Item No. 18	(58,762)	(720,697)	(779,459)
Item No. 19	(331,054)	(331,054)	(662,108)
Item No. 20	(45,246)	(45,246)	(90,492)
Item No. 30	(963,476)	(963,476)	(1,926,952)
	(1,398,538)	(2,060,473)	(3,459,011)
RPTTF Authorized	661,935	0	661,935
Administrative RPTTF Authorized	125,000	125,000	250,000
Total RPTTF Approved for Distribution	\$ 786,935	\$ 125,000	\$ 911,935