



April 18, 2013

Mr. G. Harold Duffey, Executive Director
City of Compton
205 South Willowbrook Avenue
Compton, CA 90220

Dear Mr. Duffey:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Compton Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14A) to the California Department of Finance (Finance) on March 4, 2013 for the period of July through December 2013. Finance has completed its review of your ROPS 13-14A, which may have included obtaining clarification for various items.

HSC section 34171 (d) defines enforceable obligations. Based on a sample of line items reviewed and application of the law, the following do not qualify as enforceable obligations:

- Item Nos. 7, 9, 50, 52, 55, 61, 75, 136, 163, 164, 167, 169, and 170 – Various services in the form of capital acquisitions/improvements, development, financial assistance, office rent, and property maintenance totaling \$7.5 million. The Agency did not provide documentation to support these items. Therefore, these items are not enforceable obligations at this time and not eligible for funding on the ROPS.
- Item Nos. 165, 166, 168, and 171 – Capital improvement projects totaling \$2.5 million. Documents in the form of a purchase and sale agreement or exclusive negotiation agreement were provided; however no valid contracts or agreements were submitted to support these items. Therefore, these items are not enforceable obligations at this time and not eligible for funding on the ROPS.
- Item No. 150 – Utility services in the amount of \$2,000. It is our understanding the utility service invoices submitted illustrate the City is the responsible party for payment. The Agency did not provide documentation to support the Agency is the responsible party. Therefore, this line item is not an enforceable obligation and not eligible for funding on the ROPS.
- Claimed administrative costs exceed the allowance by \$603,494. HSC section 34171 (b) limits administrative expenses to three percent of property tax allocated to the successor agency or \$250,000, whichever is greater. As a result the Agency is eligible for \$250,000 for administrative expenses. Although, \$301,244 is claimed for administrative costs, Item Nos. 8, 15, 16, 17, 33, 37, 38, 44, 62, 63, 64, 71, 72, 80, 98,

107, 120, 155 and 156 totaling \$552,250 are considered general administrative expenses and should be counted toward the cap. Therefore, \$603,494 of excess administrative cost is not allowed.

Except for items denied in whole or in part as enforceable obligations, Finance is not objecting to the remaining items listed on your ROPS 13-14A. This determination applies only to items where funding was requested for the six month period. If you disagree with the determination with respect to any items on your ROPS 13-14A, you 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 at Finance's website below:

http://www.dof.ca.gov/redevelopment/meet_and_confer/

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is \$7,744,005 as summarized below:

Approved RPTTF Distribution Amount	
For the period of July through December 2013	
Total RPTTF funding requested for obligations	\$ 9,105,028
Minus: Six-month total for items denied or reclassified as administrative cost	
Item 7	35,000
Item 8*	65,000
Item 9	65,000
Item 15*	19,500
Item 16*	39,000
Item 17*	65,000
Item 33*	50,000
Item 37*	4,000
Item 38*	6,000
Item 44*	32,500
Item 50	50,000
Item 61	8,750
Item 62*	8,750
Item 63*	15,000
Item 64*	65,000
Item 71*	32,500
Item 72*	20,000
Item 75	25,000
Item 80*	20,000
Item 98*	22,500
Item 107*	2,500
Item 120*	50,000
Item 136	7,500
Item 150	1,000
Item 155*	35,000
Item 163	50,000
Item 165	150,000
Item 166	100,000
Item 168	100,000
Item 171	200,000
Total approved RPTTF for enforceable obligations	\$ 7,760,528
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost	250,000
Minus: ROPS II prior period adjustment	(266,523)
Total RPTTF approved for distribution:	\$ 7,744,005

*Reclassified as administrative cost

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2012 period. HSC Section 34186 (a) also specifies that the prior period adjustments self-reported by successor agencies are subject to audit by the county auditor-controller (CAC) and the State Controller. The amount of RPTTF approved in the above table includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

Please refer to the ROPS 13-14A schedule that was used to calculate the approved RPTTF amount:

[http://www.dof.ca.gov/redevelopment/ROPS/ROPS 13-14A Forms by Successor Agency/](http://www.dof.ca.gov/redevelopment/ROPS/ROPS%2013-14A%20Forms%20by%20Successor%20Agency/).

This is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2013. Finance's determination is effective for this time period only and should not be conclusively relied upon for future periods. All items listed on a future ROPS are subject to a subsequent review and may be denied even if it was or was not denied on this ROPS or a preceding ROPS. The only exception is for those items that have received a Final and Conclusive determination from Finance pursuant to HSC 34177.5 (i). Finance's review of items that have received a Final and Conclusive determination 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 that was available prior to enactment of ABx1 26 and AB 1484. This amount is not and never was an unlimited funding source. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax is limited to the amount of funding available to the successor agency in the RPTTF.

To the extent proceeds from bonds issued after December 31, 2010 exist and are not encumbered by an enforceable obligation pursuant to 34171 (d), HSC section 34191.4 (c)(2)(B) requires these proceeds be used to defease the bonds or to purchase those same outstanding bonds on the open market for cancellation.

Please direct inquiries to Kylie Le, Supervisor or Brian Dunham, Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Dr. Kofi Sefa-Boakye, Director, City of Compton
Ms. Kristina Burns, Manager, Los Angeles County Department of Auditor-Controller
California State Controller's Office