



April 14, 2013

Mr. Steve Valenzuela, Chief Financial Officer
CRA/LA – DLA, A Designated Local Authority
1200 West 7th Street, 2/F
Los Angeles, CA 90017

Dear Mr. Valenzuela:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Los Angeles, a Designated Local Authority and Successor Agency to the Community Redevelopment Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14A) to the California Department of Finance (Finance) on February 28, 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 obligation(s):

- Item No. 95 – Parking Management expenses in the amount \$5 million. The Agency requested \$2.5 million on this ROPS. Based on the supporting documents provided, it is our understanding the requested amount is excessive. The invoices indicate approximately \$250,000 per month is due to Parking Concepts Inc., totaling \$1.5 million for a 6 months period. Therefore, \$990,000 is not an enforceable obligation and not eligible for funding on the ROPS.
- Item No. 157, 306, 347, 388, 390, and 391 totaling \$4.5 million are not enforceable obligations. The Agency requested these line items to be removed from the ROPS. Therefore, these line items are not enforceable obligations and not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding on the ROPS.
- Item No. 164 – Predevelopment and construction loan in the amount of \$2.7 million is not an enforceable obligation. It is our understanding the loan agreement was executed on June 28, 2011. HSC section 34163 (b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011. Therefore, this line item is not enforceable obligation and not eligible for RPTTF funding on the ROPS.
- Item No. 260 – Previously disallowed administrative items from ROPS I, II, and III totaling \$6.6 million is partially denied. Since our previous ROPS reviews, Finance has worked collaboratively with the Agency to gain a better understanding of their administrative cost structure. Much of the recent discussions between the Agency and

Finance contemplated how the Agency's obligations might fall into one of the categories in the administrative cost carve out and how to more clearly delineate their purpose on the ROPS. These discussions were formalized in a March 7, 2013 letter from Finance to the Agency. Specifically, HSC section 34171 (b) carves out situations that are specifically excluded from the administrative cost cap, which are as follows:

- Litigation costs related to assets or obligations
- Settlements or judgments
- Maintenance costs for assets prior to disposition
- Employee costs associated with work on specific project implementation activities, including, but not limited to, construction inspection, project, management, or actual construction.

The Agency provided support for this Item No's requested funds. Finance determined \$5.5 million met the carve-out criteria and were eligible for RPTTF funding outside the administrative cap. However, the remaining \$1.1 million consisted of vacant office leases and general administrative expenses that are disallowed. Therefore, \$1.1 million is not an enforceable obligation and not eligible for RPTTF funding on the ROPS.

- Item No. 304 – Disposition, Development, and Loan Agreement in the amount of \$2.5 million. It is our understanding the loan agreement was executed on July 24, 2012. HSC section 34163 (b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011. Therefore, this line item is not enforceable obligation and not eligible for RPTTF funding on the ROPS.
- Item No. 308 – North Hollywood Commons project in the amount of \$15.8 million. The Agency requested \$812,392 on this ROPS. Through review of supporting documents, only \$779,548 was supported for this item. As a result, the Agency requested \$32,844 in funding reduction for this line item. Therefore, \$32,844 is not an enforceable obligation and not eligible for RPTTF funding on the ROPS.
- Claimed administrative costs exceed the allowance by \$1.8 million. HSC section 34171 (b) limits the fiscal year 2013-14 administrative expense to three percent of property tax allocated to the Agency or \$250,000, whichever is greater. As a result the Agency is eligible for \$2.3 million for administrative expenses. Although \$2.7 million is claimed for administrative costs, Item Nos 128, 129, 133, 134, 139, 150, 236, 245, 248, 292, and 355 totaling \$1.4 million are considered general administrative expenses and should be counted toward the cap. Therefore, \$1.8 million of excess administrative cost is not allowed.

Except for item(s) denied in whole or in part as enforceable obligation(s), Finance is not objecting to the remaining item(s) 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 \$61,922,898 as summarized below:

Approved RPTTF Distribution Amount	
For the period of July through December 2013	
Total RPTTF funding requested for obligations	\$ 84,280,365
Minus: Six-month total for items denied or reclassified as administrative cost	
Item 128*	22,100
Item 129*	13,600
Item 133*	7,750
Item 134*	5,022
Item 139*	620
Item 150*	15,000
Item 157	1,119,000
Item 164	2,742,157
Item 236*	18,412
Item 245*	1,134,000
Item 248*	55,000
Item 260	1,071,476
Item 292*	2,918
Item 304	2,500,000
Item 308	32,844
Item 355*	96,700
Item 388	80,333
Item 390	200,000
Item 391	100,640
Total approved RPTTF for enforceable obligations	<u>\$ 75,062,793</u>
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost	<u>2,251,884</u>
Minus: ROPS II prior period adjustment	<u>(15,391,779)</u>
Total RPTTF approved for distribution:	\$ 61,922,898

*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 Michael Barr, Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Ms. Daisy Pan, Special Projects Officer, CRA/LA – Designated Local Authority
Ms. Kristina Burns, Manager, Los Angeles County Department of Auditor-Controller
California State Controller's Office