



November 14, 2013

Mr. Vilko Domic, Director of Finance / City Treasurer  
City of Commerce  
2535 Commerce Way  
Commerce, CA 90040

Dear Mr. Domic:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Commerce Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14B) to the California Department of Finance (Finance) on September 30, 2013 for the period of January through June 2014. Finance has completed its review of your ROPS 13-14B, 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 for the reasons specified:

- Item No. 26 – HCD Note in the amount of \$236,000. This note was not listed or approved on the Agency's Housing Asset Transfer form. In addition, it is not evident this is even an obligation of the Agency. Pursuant to HSC section 34176 (a) (1), if a city, county, or city and county elects to retain the authority to perform housing functions previously performed by a redevelopment agency (RDA), all rights, powers, duties, obligations, and housing assets shall be transferred to the city, county, or city and county. Since the City of Commerce assumed the housing functions, the costs associated with this line item are the responsibility of the housing successor. Therefore, this item is not an enforceable obligation and not eligible for RPTTF funding.
- Item No. 65 – Property Tax Audit Services in the amount of \$20,000 is not an obligation of the Agency. It is our understanding these agreements entered into on May 3, 1994 are between the City of Commerce and HDL Coren and Cone, and the Agency is not a party to the contract. Therefore, this item is not an enforceable obligation and is not eligible for RPTTF funding.
- Item No. 67 – Citadel DDA for groundwater monitoring and site assessment in the amount of \$500,000 is not an enforceable obligation. It is our understanding that contracts for this line item has not yet been awarded. HSC section 34163 (b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011. Therefore, this item is not an enforceable obligation and not eligible for RPTTF funding.

It is also our understanding; the Agency deleted the obligation for Item No. 63 and replaced it with the obligation from Item No. 67 on this ROPS. For consistency purposes between ROPS periods, the line items were restored to the original format listed on the ROPS template.

- Claimed administrative costs exceed the allowance by \$262,734. HSC section 34171 (b) limits fiscal year 13-14 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 \$435,342 in administrative expenses. The Los Angeles County Auditor Controller's Office distributed \$250,000 for the July through December 13-14A period, thus leaving a balance of \$185,342 available for the January through June 13-14B period. Although \$233,076 is claimed for administrative cost, Item Nos. 50, 60 and 62 for consulting services and legal expenses totaling \$215,000 are considered administrative expenses and should be counted towards the cap. Therefore, \$262,734 of excess administrative cost is not allowed.

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14B form the estimated obligations and actual payments (prior period adjustments) associated with the January through June 2013 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 below table includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

Except for the items denied in whole or in part as enforceable obligations, Finance is not objecting to the remaining items listed on your ROPS 13-14B. If you disagree with the determination with respect to any items on your ROPS 13-14B, 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/](http://www.dof.ca.gov/redevelopment/meet_and_confer/)

The Agency's maximum approved RPTTF distribution for the reporting period is \$7,133,961 as summarized below:

<b>Approved RPTTF Distribution Amount</b>	
<b>For the period of January through June 2014</b>	
Total RPTTF requested for non-administrative obligations	7,573,722
Total RPTTF requested for administrative obligations	233,076
<b>Total RPTTF requested for obligations</b>	<b>\$ 7,806,798</b>
<b>Total RPTTF requested for non-administrative obligations</b>	<b>7,573,722</b>
<u>Denied Items</u>	
Item No. 26	(236,000)
Item No. 65	(20,000)
Item No. 67	(100,000)
	<u>(356,000)</u>
<u>Reclassified Items</u>	
Item No. 50	(40,000)
Item No. 60	(100,000)
Item No. 62	(75,000)
	<u>(215,000)</u>
<b>Total RPTTF approved for non-administrative obligations</b>	<b>7,002,722</b>
<b>Total RPTTF requested for administrative obligations</b>	<b>233,076</b>
<u>Reclassified Items</u>	
Item No. 50	40,000
Item No. 60	100,000
Item No. 62	75,000
	<u>215,000</u>
<b>Total RPTTF for administrative obligations</b>	<b>448,076</b>
<b>Total RPTTF allowable for administrative obligations (see Admin Cost Cap table below)</b>	<b>185,342</b>
<b>Total RPTTF approved for obligations</b>	<b>7,188,064</b>
ROPS III prior period adjustment	(54,103)
<b>Total RPTTF approved for distribution</b>	<b>\$ 7,133,961</b>
<b>Administrative Cost Cap Calculation</b>	
Total RPTTF for 13-14A (July through December 2013)	7,508,682
Total RPTTF for 13-14B (January through June 2014)	7,002,722
<b>Total RPTTF for fiscal year 2013-14</b>	<b>14,511,404</b>
Allowable administrative cost for fiscal year 2013-14 (Greater of 3% or \$250,000)	435,342
Administrative allowance for 13-14A (July through December 2013)	250,000
<b>Allowable RPTTF distribution for administrative cost for ROPS 13-14B</b>	<b>185,342</b>

Pursuant to HSC section 34177 (l) (1) (E), agencies are required to use all available funding sources prior to RPTTF for payment of enforceable obligations. Beginning with the ROPS 13-14B period, Finance required successor agencies to identify fund balances for various types of funds in its possession. During our ROPS 13-14B review, Finance requested financial

records to support the fund balances reported by the Agency; however, Finance was unable to reconcile the financial records to the amounts reported. As a result, Finance will continue to work with the Agency after the ROPS 13-14B review period to properly identify the Agency's fund balances. If it is determined the Agency possesses fund balances that are available to pay approved obligations, the Agency should request the use of these fund balances prior to requesting RPTTF in ROPS 14-15A.

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

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

Absent a Meet and Confer, this is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2014. This determination applies only to items where funding was requested for the six month period. 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 HSC section 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,



JUSTYN HOWARD  
Assistant Program Budget Manager

cc: Mr. Josh Brooks, Assistant Director of Finance, City of Commerce  
Ms. Kristina Burns, Manager, Los Angeles County Department of Auditor-Controller  
California State Controller's Office