



December 17, 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

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated November 15, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Compton Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14B) to Finance on October 1, 2013, for the period of January through June 2014. Finance issued a ROPS determination letter on November 15, 2013. Subsequently, the Agency requested a Meet and Confer session on one or more of the items denied by Finance. The Meet and Confer session was held on December 2, 2013.

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 items being disputed.

- Item No. 6 – Capital Appreciation Bonds 1995C in the amount of \$68,337,303. The Agency requested \$5,800,000 for ROPS 13-14B. Finance no longer denies this item. Finance previously determined that per the bond debt service payment schedule, payments are due beginning fiscal year ending 2015. During the Meet and Confer process, the Agency clarified that debt service payments will begin in August 2014 and stated that the bond official statement requires all available revenues to be set aside as soon as they are available until sufficient funds to make the entire annual debt service payments are held in reserve. Based on further review, this requirement is included for this item. Therefore, the annual debt service payments due in ROPS 14-15A in the amount of \$5,800,000 is approved for payment from Redevelopment Property Tax Trust Fund (RPTTF). As the Agency initially requested \$5,000,000 for this item, Finance has increased the amount by \$800,000.

Finance notes that pursuant to HSC section 34183 (a) (2) (A), debt service payments have first priority for payment from distributions from RPTTF. As such, the \$5,800,000 requested should be transferred upon receipt to the bond trustee(s) along with the amounts approved for the other ROPS 13-14B debt service payments prior to making any other payments on approved ROPS items. Any requests to fund these items again in the ROPS 14-15A period will be denied unless insufficient RPTTF is received to

satisfy both the debt service payments due during the ROPS 13-14B period and the reserve amounts requested in ROPS 13-14B for the ROPS 14-15A debt service payments.

- Item Nos. 9, 10, and 129 – Project Management Costs for the Parking Structure, Meta Housing Phase I, and Downtown Master Plan projects totaling \$260,000 in bond proceeds. Finance continues to deny these items. During our previous review, Finance requested timesheets to substantiate costs previously allowed for project management costs to establish a basis for the estimate. The Agency provided a two-page document of the estimated project management costs for the Parking Structure for three employees. Based on a review of the estimated project management costs provided, Finance was unable to determine if the number of hours estimated per employee is reasonable since the Agency still has not provided the requested timesheets to support the costs, which an estimate should be based upon. Therefore, these items are not eligible for bond funding on this ROPS.
- Item 50 – Redevelopment Projects Legal Services totaling \$100,000. The Agency requested \$50,000 for ROPS 13-14B. Finance continues to reclassify this item as an administrative cost. The Agency contends the item is an enforceable obligation because the services are required for implementation of specific projects that are enforceable obligations. Invoices provided by the Agency are for general/administrative legal services and not specifically related to litigation expenses; therefore, it is considered an administrative cost.
- Item Nos. 52, 55, and 176 – Project, demolition, and acquisition/site improvement costs totaling \$3,825,000 are not enforceable obligations. Insufficient or no documentation was provided to support the amounts claimed. Therefore, these items are not enforceable obligations and are not eligible for RPTTF or bond funding on this ROPS.
- Item Nos. 51, 53, 54, 151, 152, 167, 170, and 171 – Bond funded projects totaling \$9,150,000 are not enforceable obligations at this time. HSC section 34163 (b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011. It is our understanding that contracts for these line items were awarded after June 27, 2011 or have not been awarded. Pursuant to HSC section 34191.4 (c), your request to use bond funds for these obligations may be allowable once the Agency receives a Finding of Completion from Finance.
- Item No. 133 – Project Management Assistance in the amount of \$25,000 funded with reserve balance. Finance continues to deny this item. It is our understanding the contract for this line item was awarded after June 27, 2011. HSC section 34163 (b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011. Additionally, HSC section 34177.3 (a) states successor agencies shall lack the authority to, and shall not, create new enforceable obligations except in compliance with a enforceable obligation that existed prior to June 28, 2011. The Agency claims these are for specific items listed in the 2010 series bond Official Statement and provided additional support for this item; however, the documentation does not tie to the item as listed on the ROPS 13-14B. Therefore, this item is not an enforceable obligation and not eligible for reserve funding on this ROPS.

- Claimed administrative costs exceed the allowance by \$214,306. HSC section 34171 (b) limits fiscal year 2013-2014 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 \$594,544 in administrative expenses. The Los Angeles Auditor-Controller's Office distributed \$250,000 administrative costs for the July through December 13-14A period, thus leaving a balance of \$344,544 available for the January through June 13-14B period. Although \$483,850 is claimed for administrative cost, Item Nos. 50 and 120 for legal and management costs totaling \$75,000 is considered an administrative expense and should be counted toward the cap. Therefore, \$214,306 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 items denied in whole or in part as enforceable obligations, Finance is not objecting to the remaining items listed on your ROPS 13-14B. The Agency's maximum approved RPTTF distribution for the reporting period is \$9,796,456 as on the following page:

Approved RPTTF Distribution Amount For the period of January through June 2014	
Total RPTTF requested for non-administrative obligations	12,282,616
Total RPTTF requested for administrative obligations	483,850
Total RPTTF requested for obligations	\$ 12,766,466
Total RPTTF requested for non-administrative obligations	12,282,616
<u>Denied Items</u>	
Item No. 52	(75,000)
Item No. 176	(75,000)
	(150,000)
<u>Adjustment to Items</u>	
Item No. 6	800,000
	800,000
<u>Reclassified Items</u>	
Item No. 50	(50,000)
Item No. 120	(25,000)
	(75,000)
Total RPTTF approved for non-administrative obligations	12,857,616
Total RPTTF requested for administrative obligations	483,850
<u>Reclassified Items</u>	
Item No. 50	50,000
Item No. 120	25,000
	75,000
Total RPTTF for administrative obligations	558,850
Total RPTTF allowable for administrative obligations (see Admin Cost Cap table below)	368,544
Total RPTTF approved for obligations	13,226,160
ROPS III prior period adjustment	(3,429,704)
Total RPTTF approved for distribution	\$ 9,796,456
Administrative Cost Cap Calculation	
Total RPTTF for 13-14A (July through December 2013)	7,760,528
Total RPTTF for 13-14B (January through June 2014)	12,857,616
Total RPTTF for fiscal year 2013-14	20,618,144
Allowable administrative cost for fiscal year 2013-14 (Greater of 3% or \$250,000)	618,544
Administrative allowance for 13-14A (July through December 2013)	250,000
Allowable RPTTF distribution for administrative cost for ROPS 13-14B	368,544

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_13-14B_Forms_by_Successor_Agency/).

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 section 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 Evelyn Suess, Dispute Resolution Supervisor, or Danielle Brandon, Analyst, at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Assistant Program Budget Manager

cc: Mr. Michael Antwine, Deputy Director, City of Compton
Ms. Kristina Burns, Manager, Los Angeles County Department of Auditor-Controller
California State Controller's Office