



October 25, 2013

Mr. Jeff Muir, Chief Financial Officer
City of Culver City Successor Agency
9770 Culver Boulevard
Culver City, CA 90232

Dear Mr. Muir:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the Culver City Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14B) to the California Department of Finance (Finance) on September 12, 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. 2 – Bond debt service payment for 1999 Tax Allocation Bonds in the amount of \$801,875 for the upcoming six month period is partially denied. It is our understanding the Agency requested the incorrect amount on this ROPS, identified as Item No. 2. Per discussion with Agency staff, the \$801,875 requested for the six month period should be \$501,873. As a result, the total ROPS 13-14B Redevelopment Property Tax Trust Fund (RPTTF) requested for this item has been reduced by \$300,002.
- Item No. 19 – Unfunded CalPERS pension liabilities in the amount of \$496,800. The Agency requested \$496,800 of unfunded pension liabilities on this ROPS. Although this item is considered an enforceable obligation, Finance has determined that the amount requested is excessive for a single ROPS period. A reasonable payment schedule for this \$496,800 in unfunded pension liability allocated over five years results in ten bi-annual payments of \$49,680 and will cause the least amount of disruption to the taxing entities. Therefore, \$49,680 of unfunded pension obligation is an enforceable obligation payable on ROPS 13-14B. The remaining balance of \$447,120 is not approved for funding at this time, and should continue to be placed on future ROPS until the obligation is retired.
- Item No. 20 – Unfunded OPEB liabilities in the amount of \$1,552,500. The Agency requested \$1,552,500 of unfunded liabilities on this ROPS. Although this item is considered an enforceable obligation, Finance has determined that the amount requested is excessive for a single ROPS period. A reasonable payment schedule for

this \$1,552,500 in unfunded pension liability allocated over five years results in ten bi-annual payments of \$155,250 and will cause the least amount of disruption to the taxing entities. Therefore, \$155,250 of unfunded pension obligation is an enforceable obligation payable on ROPS 13-14B. The remaining balance of \$1,397,250 is not an approved for funding at this time, and should continue to be placed on future ROPS until the obligation is retired.

- Item No. 38 – Outstanding pass through payments owed to the Los Angeles Unified School District (LAUSD) in the amount of \$50,000. It is our understanding the court has not made a final decision on the current litigation regarding the outstanding pass through payments owed to the LAUSD. As such, this item is not eligible for funding until the court has reached a final decision.
- Item Nos. 42 through 46 – Bond reserves for the November 1, 2014 bond debt service payments in the amount of \$10,082,278. It is our understanding bond reserves were requested on ROPS III, Item Nos. 1 through 6, for the ROPS 13-14A bond debt service payments along with the ROPS III amounts due May 1, 2013, totaling \$16,782,393. The Los Angeles County Auditor-Controller (CAC) reported a ROPS III RPTTF distribution of \$14,665,768, which included \$11,559,339 which was previously distributed and currently available from a prior period. As such, after paying the May 1, 2013 bond debt service payments of \$4,388,696, a reserve of \$10,277,072 should have been established and made available for the ROPS 13-14A bond debt service payments. Subsequently on ROPS 13-14A, Item Nos. 1 through 6, in the amount of \$12,393,699 was approved for the November 1, 2013 bond debt service payments. Therefore, \$22,670,771 (\$10,277,072 reserve from the ROPS III period plus \$12,393,699 from the ROPS 13-14A period) was available to make the \$12,393,696 November 1, 2013 payment. As such, it appears the bond indenture's special fund requirement has previously been satisfied and Item Nos. 42 through 46 in the amount of \$10,082,278 are denied, as there should be \$10,277,072 in bond reserves already available for the November 1, 2014 payments.
- As demonstrated in the table below, claimed administrative costs exceed the allowance by \$262,640. HSC section 34171 (b) limits the fiscal year 2013-14 administrative expenses to three percent of property tax allocated to the Agency or \$250,000, whichever is greater. The Los Angeles Auditor-Controller's Office distributed \$450,000 for the July through December 2013 period, thus leaving a balance of \$216,360 available for the January through June 2014 period. Although \$479,000 is claimed for administrative cost, only \$216,360 is available pursuant to the cap. Therefore, \$262,640 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 table below 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 or for the items that have been reclassified, 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/

The Agency's maximum approved RPTTF distribution for the reporting period is zero as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2014	
Total RPTTF requested for non-administrative obligations	20,543,193
Total RPTTF requested for administrative obligations	479,000
Total RPTTF requested for obligations	\$ 21,022,193
Total RPTTF requested for non-administrative obligations	20,543,193
Denied Items	
Item No. 2	(300,002)
Item No. 19	(447,120)
Item No. 20	(1,397,250)
Item No. 38	(50,000)
Item No. 42	(1,726,873)
Item No. 43	(1,653,525)
Item No. 44	(1,575,410)
Item No. 45	(606,295)
Item No. 46	(4,520,175)
	(12,276,650)
Total RPTTF approved for non-administrative obligations	8,266,543
Total RPTTF requested for administrative obligations	479,000
Total RPTTF allowable for administrative obligations (see Admin Cost Cap table below)	216,360
Total RPTTF approved for obligations	8,482,903
ROPS III prior period adjustment	(11,127,859)
Total RPTTF approved for distribution	\$ (2,644,956)
Administrative Cost Cap Calculation	
Total RPTTF for 13-14A (July through December 2013)	15,445,447
Total RPTTF for 13-14B (January through June 2014)*	6,766,543
Less approved unfunded obligations from prior periods	-
Total RPTTF for fiscal year 2013-14	22,211,990
Allowable administrative cost for fiscal year 2013-14 (Greater of 3% or \$250,000)	666,360
Administrative allowance for 13-14A (July through December 2013)	450,000
Allowable RPTTF distribution for administrative cost for ROPS 13-14B	216,360
* ROPS 13-14B Item 28 - Repayment of a short-term loan from the City in the amount of \$1,500,000 was not included in the total ROPS 13-14B RPTTF for the purposes of calculating the administrative cost cap as this loan was obtained to cover a shortfall during ROPS III, for which the 3% admin cap was already applied during the ROPS III period.	

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. The Los Angeles CAC noted during their review of the Report of Prior Period Adjustments (PPA) the Agency failed to report the ROPS I PPA for \$11,559,339 in the Available RPTTF Column and that the beginning available fund balance in the Report of Fund Balances is out of balance. Finance's denial of Item Nos. 42 through 46 essentially captures the \$11,559,339 in under-reported RPTTF balances.

Additionally, during the Other Funds and Accounts Due Diligence Review, Finance identified \$64,918,073 million in unspent bond proceeds as of June 30, 2012. The Agency did not list any bond proceeds as of January 1, 2013 in the Fund Balance Report. 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/.

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 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.

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

Sincerely,



JUSTYN HOWARD
Assistant Program Budget Manager

cc: Mr. Nick Kimball, Procurement & Financial Services Manager
Ms. Kristina Burns, Manager, Los Angeles Auditor Controller's Office
California State Controller's Office