



REVISED

December 23, 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

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated October 25, 2013. 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 Finance on September 12, 2013, for the period of January through June 2014. Finance issued a ROPS determination letter on October 25, 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 November 7, 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. 19 – Unfunded CalPERS pension liabilities in the amount of \$496,800. Finance continues to partially deny this item. As stated in our previous letter, 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. The Agency did not provide compelling information during the meet and confer to compel the reversal of this item.
- Item No. 20 – Unfunded OPEB liabilities in the amount of \$1,552,500. Finance continues to partially deny this item. As stated in our previous letter, 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. The Agency did not provide compelling information during the meet and confer to compel the reversal of this item.

- Item Nos. 42 through 46 – Bond reserves for the November 1, 2014 bond debt service payments in the amount of \$10,082,278. Finance no longer denies these items. Total debt service requested on ROPS III for Item Nos. 1 through 6 included the ROPS 13-14A bond debt service payments and 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. This included new RPTTF in the amount of \$3,106,429 and a prior period adjustment of \$11,559,339 resulting from unused funds during the January through June 2012 ROPS period (ROPS I). Subsequently on ROPS 13-14A, Item Nos. 1 through 6, in the amount of \$12,393,699 were approved and distributed for the November 1, 2013 bond debt service payments. We note that the unused ROPS III funds totaling \$11,127,859 are accounted for in the prior period adjustment below.

Per HSC section 34171 (d), a reserve may be held if required by the bond indenture or when the next property tax distribution will be insufficient to pay all obligations due under the provisions of the bond. The Agency claims that per the bond indenture they are required to fully satisfy debt service payments for the calendar year before funds can be available for other obligations. Our review indicates that for the Agency's 1993, 2002, 2004, 2005, and 2011 series bonds all pledge first lien on pledged tax revenues, therefore, the Agency must first deposit the entire year's debt service payment before any other obligations can be paid.

Finance notes that pursuant to HSC section 34183 (a) (2) (A), debt service payments have first priority for payment from distributed RPTTF funding. As such, the additional \$10,082,278 requested to be held in reserve 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.

In addition, per Finance's letter dated October 25, 2013, we continue to deny the following items not contested by the Agency during the Meet and Confer:

- 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. 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.

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.

- The CAC, as authorized by HSC section 34186 (a), will make a prior period adjustment on ROPS 13-14B for unspent ROPS III funds. This includes \$11,127,859 of the \$11,559,339 prior period adjustment made by the CAC during ROPS III. Previous reviews had indicated these funds were not retained through the Other Funds and Account (OFA) Due Diligence Review (DDR) for use during the ROSP III period; however, additional information provided by the CAC indicates these funds were not included in the beginning OFA balance and therefore would not have been retained. In addition, as determined by the Sacramento Superior Court in a lawsuit filed by Culver City and the Agency (Case No. 34-2013-80001446), the \$11.5 million prior period adjustment was not improper.

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. The Agency's maximum approved RPTTF distribution for the reporting period is \$7,699,962 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
<u>Denied Items</u>	
Item No. 2	(300,002)
Item No. 19	(447,120)
Item No. 20	(1,397,250)
Item No. 38	(50,000)
	<u>(2,194,372)</u>
Total RPTTF approved for non-administrative obligations	18,348,821
Total RPTTF requested for administrative obligations	479,000
Total RPTTF approved for obligations	18,827,821
ROPS III prior period adjustment	(11,127,859)
Total RPTTF approved for distribution	\$ 7,699,962

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 was unable to reconcile the financial records to the amounts reported. This includes \$64,918,073 in unspent bond proceeds as of June 30, 2012 that was identified during the Other Funds and Accounts Due Diligence Review. 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/](http://www.dof.ca.gov/redevelopment/ROPS/ROPS%2013-14B%20Forms%20by%20Successor%20Agency/).

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