



November 14, 2013

Ms. Margarita Cruz, Redevelopment Manager  
City of Inglewood  
One Manchester Boulevard  
Inglewood, CA 90301

Dear Ms. Cruz:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Inglewood 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 Nos. 4, 10, 16, 47, 58, 59, 70, 73 and 83 – Various line items funded with reserves totaling \$675,592 for the six month period are denied. It is our understanding; due to the Agency's misinterpretation of reserve balances, the Agency inadvertently requested these obligations be funded with reserve funding. However; no reserve funds are available. In addition, the Agency clarified these line items do not need to be funded. Therefore, these items are not eligible for reserve funding on the ROPS.
- Item Nos. 5 and 6 – Disposition AB26 implementation cost totaling \$180,000. It is our understanding; \$23,000 in reserve funding and \$20,000 in RPTTF are requested for the six month period. As stated above, there are no reserve funds available. As such, \$23,000 in reserve funding is denied. While these line items are considered enforceable, the contracts costs are not to exceed \$10,000 each. Since \$6,000 was approved for both line items on ROPS 13-14A, only \$4,000 is eligible for RPTTF funding. Therefore, the remaining unsupported \$12,000 is not eligible for RPTTF funding on the ROPS.
- Item Nos. 11, 12, 14, 26 through 29 and 41 – Various line items totaling \$1,009,932 for the six month period are partially denied. The Agency requested these obligations be funded with \$325,000 of RPTTF and \$684,932 of reserves. As stated above, there are no reserve funds available. As such, \$684,932 in reserve funding is denied. Of the \$325,000 requested in RPTTF, a review of past invoices demonstrating historical

expenditure patterns indicates that \$176,689 is a more reasonable estimate. Therefore, the remaining \$148,311 in RPTTF is being denied for the upcoming period:

- Item 11 – Disposition AB26 implementation for \$2,512
  - Item 12 – Disposition AB26 implementation for \$34,645
  - Item 14 – Disposition AB26 implementation for \$28,474
  - Item 26 – Groundwater Monitoring/Investigation for \$13,474
  - Item 27 – Groundwater Monitoring/Investigation for \$4,645
  - Item 28 – Litigation for \$26,500
  - Item 29 – Litigation for \$26,500
  - Item 41 – Project Cost for Hollywood Park for \$11,561
- Item No. 17 – Disposition in the amount of \$80,000. The funding sources requested are \$20,000 of RPTTF and \$60,000 of reserves. It is our understanding; this line item is for professional services needed to assist in the preparation of the long range property management plan. The Agency provided a memorandum from Kayser Marston Associates with a proposed budget of \$60,000. As such, \$20,000 of RPTTF is unsupported. Therefore, this item is not eligible for \$20,000 of RPTTF funding on the ROPS.
  - Item Nos. 30, 40, 45, 51 through 54 and 76 – Various line items totaling \$476,831 are no longer enforceable obligations. These items were reported and confirmed by the Agency as being retired. Therefore, these items are not eligible for reserve funding on the ROPS.
  - Item No. 69 – Outstanding debt for continuing disclosure in the amount of \$12,000. It is our understanding; this obligation is an administrative expense. The Agency is requesting funding of \$1,400 in RPTTF and \$1,400 in reserves for the six month period. This item was previously denied and Finance continues to deny this line item. Therefore, this line item is not an enforceable obligation and is not eligible for RPTTF or reserve funding on the ROPS.
  - Claimed administrative costs exceed the allowance by \$257,954. HSC section 34171 (b) limits fiscal year 2013-14 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 \$589,541 in administrative expenses. The Los Angeles Auditor Controller's Office distributed \$263,895 of administrative costs for the July through December 2013 period, thus leaving a balance of \$325,646 available for the January through June 2014 period. Although \$260,000 is claimed for administrative cost, Item Nos. 3, 15 and 42 totaling \$325,000 is considered an administrative expense and should be counted toward the cap. Therefore, \$257,954 of excess administrative cost is not allowed. Included in this amount is the reduction of \$1,400 for Item No. 69.

It is our understanding; in addition to requesting RPTTF for administrative expenses, Item Nos. 3 and 15 requested reserve funds totaling \$53,647. However, as stated above, there are no reserve funds available. As such, \$53,647 in reserve funding is denied for administrative expenses.

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 \$11,180,514 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	11,360,179
Total RPTTF requested for administrative obligations	260,000
<b>Total RPTTF requested for obligations</b>	<b>\$ 11,620,179</b>
<b>Total RPTTF requested for non-administrative obligations</b>	<b>11,360,179</b>
<u>Denied Items</u>	
Item No. 5	(6,000)
Item No. 6	(6,000)
Item No. 11	(2,512)
Item No. 12	(34,645)
Item No. 14	(28,474)
Item No. 17	(20,000)
Item No. 26	(13,474)
Item No. 27	(4,645)
Item No. 28	(26,500)
Item No. 29	(26,500)
Item No. 41	(11,561)
	<u>(180,311)</u>
<u>Reclassified Items</u>	
Item No. 3	(75,000)
Item No. 15	(150,000)
Item No. 42	(100,000)
	<u>(325,000)</u>
<b>Total RPTTF approved for non-administrative obligations</b>	<b>10,854,868</b>
<b>Total RPTTF requested for administrative obligations</b>	<b>260,000</b>
<u>Denied Items</u>	
Item No. 69	(1,400)
	<u>(1,400)</u>
<u>Reclassified Items</u>	
Item No. 3	75,000
Item No. 15	150,000
Item No. 42	100,000
	<u>325,000</u>
<b>Total RPTTF for administrative obligations</b>	<b>583,600</b>
<b>Total RPTTF allowable for administrative obligations (see Admin Cost Cap table below)</b>	<b>325,646</b>
<b>Total RPTTF approved for obligations</b>	<b>11,180,514</b>
ROPS III prior period adjustment	0
<b>Total RPTTF approved for distribution</b>	<b>\$ 11,180,514</b>

<b>Administrative Cost Cap Calculation</b>	
Total RPTTF for 13-14A (July through December 2013)	8,796,491
Total RPTTF for 13-14B (January through June 2014)	10,854,868
<b>Total RPTTF for fiscal year 2013-14</b>	<b>19,651,359</b>
Allowable administrative cost for fiscal year 2013-14 (Greater of 3% or \$250,000)	589,541
Administrative allowance for 13-14A (July through December 2013)	263,895
<b>Allowable RPTTF distribution for administrative cost for ROPS 13-14B</b>	<b>325,646</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.

Ms. Margarita Cruz  
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Please direct inquiries to Kylie Le, Supervisor or Michael Barr, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD  
Assistant Program Budget Manager

cc: Ms. Sharon Koike, Assistant Finance Director, City of Inglewood  
Ms. Kristina Burns, Manager, Los Angeles County Department of Auditor-Controller  
California State Controller's Office