



December 17, 2013

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

Dear Ms. Cruz:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated November 14, 2013. 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 Finance on September 30, 2013, for the period of January through June 2014. Finance issued a ROPS determination letter on November 14, 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 4, 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.

- It is our understanding that due to the Agency's misinterpretation of reserve balances, the Agency inadvertently requested various obligations be funded with reserve funding. However, no reserve funds are available. All items discussed during the Meet and Confer process were not intended to be funded with reserve funding. Therefore, Finance continues to deny all requests for reserve funding.
- Items No. 3, 15, and 42 – Contracted Legal Expenses in the amount of \$325,000 for project implementation, real estate transactions, and various other legal services. Finance continues to reclassify these items as administrative costs. During the Meet and Confer process, the Agency requested that Finance consider legal costs specific to various projects for contract and sale negotiations as well as all manner of legal counsel and services be deemed project implementation activities and be excluded from the Agency's administrative cost allowance pursuant to HSC section 34171 (b). However, these items do not fall into any of the following categories that are specifically excluded from the administrative cap as defined by HSC section 34171 (b):
  - Any litigation expenses related to assets or obligations.
  - Settlements and judgments.
  - The costs of maintaining assets prior to disposition.

- Employee costs associated with work on specific project implementation activities, including, but not limited to, construction inspection, project management, or actual construction, shall be considered project-specific costs

Finance notes that the legal services are to be provided by a contractor or consultant who is not an employee of the City or the Agency; therefore, the costs do not meet the exclusions provided in HSC section 34171 (b). As such, \$325,000 continues to be reclassified as administrative costs.

- Item Nos. 5 and 6 – Appraisal services totaling \$20,000 from the RPTTF. Finance no longer denies these items. During the Meet and Confer process, the Agency provided the appraisal contracts, which do identify that the contract maximum is \$10,000; however, the contracts allow the Agency to modify the compensation amount to reflect any additional services needed. Appraisal services are an allowable expenditure to prepare the Long Range Property Management Plan (LRPMP). Therefore, the Agency is eligible to receive \$20,000 in RPTTF funding for these items.
- Item Nos. 11, 12, 14, 26, and 27 – Property Maintenance, Remediation, and Disposition costs totaling \$205,000 in RPTTF funding for the six-month period. Finance continues to deny these items at this time. During the Meet and Confer process, the Agency identified these items as preparation, environmental assessment, and monitoring, as well as the remediation of the properties in order to place the properties on the LRPMP. These items also include the estimated costs related to the planned real estate transactions, title clearance and escrow, and marketing that would occur after the LRPMP is approved by Finance. However, since the Agency has yet to receive their Finding of Completion and submit the Agency's LRPMP, Finance cannot determine if these proposed costs will be necessary or if they are reasonable. The Agency noted that there is an order pending from the local water control board which would require remediation; however, Finance notes that a pending order does not create an enforceable obligation. Therefore, these items are not enforceable obligations and not eligible for RPTTF funding at this time. Once the Agency's LRPMP has been approved by Finance, the Agency should request RPTTF funding on a ROPS to implement the LRPMP.
- Item Nos. 28 and 29 – Litigation Expenses in the amount of \$100,000 from the RPTTF. Finance no longer denies these items; however, Finance reclassifies these items as administrative costs. During the Meet and Confer process, the Agency did not provide documentation identifying these items as being related to ongoing litigation. These items do not fall into any of the following categories that are specifically excluded from the administrative cap as defined by HSC section 34171 (b):
  - Any litigation expenses related to assets or obligations.
  - Settlements and judgments.
  - The costs of maintaining assets prior to disposition.
  - Employee costs associated with work on specific project implementation activities, including, but not limited to, construction inspection, project management, or actual construction, shall be considered project-specific costs

Therefore, these items are being reclassified as administrative costs.

- Item No. 41 – Project Implementation Costs in the amount of \$20,000. Finance no longer denies this item; however, Finance reclassifies this item as administrative cost. During the Meet and Confer process, the Agency requested that Finance consider project management costs specific to the Hollywood Park project be deemed project implementation activities. However, there is no requirement in the Owner Participation Agreement (OPA) requiring the Agency to provide services. Specifically, Section 3.4 of the OPA states “the Agency is under no obligation, and the Agency does not undertake or assume any responsibility or duty to Participant or to any third party, to in any manner review, supervise, or inspect the progress of construction or the operation of the Hollywood Park Project.” Furthermore, this item does not fall into any of the following categories that are specifically excluded from the administrative cap as defined by HSC section 34171 (b):
  - Any litigation expenses related to assets or obligations.
  - Settlements and judgments.
  - The costs of maintaining assets prior to disposition.
  - Employee costs associated with work on specific project implementation activities, including, but not limited to, construction inspection, project management, or actual construction, shall be considered project-specific costs

Finance notes that the project implementation services are to be provided by a contractor or consultant who is not an employee of the City or Agency; therefore, the costs do not meet the exclusions provided in HSC section 34171 (b). As such, \$20,000 will be reclassified as an administrative cost.

In addition, per Finance’s letter dated November 14, 2013, we continue to deny the following items not contested by the Agency during the Meet and Confer:

- 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 that 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 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 Keyser 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 that 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 \$322,895. 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 \$584,600 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 \$320,705 available for the January through June 2014 period. Although \$260,000 is claimed for administrative cost, Item Nos. 3, 15, 28, 29, 41, and 42 totaling \$445,000 are considered administrative expenses and should be counted toward the cap. Therefore, \$322,895 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 that 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. The Agency's maximum approved RPTTF distribution for the reporting period is \$11,010,884 as summarized on next page:

<b>Approved RPTTF Distribution Amount 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>\$ 11,100,179</b>
<b>Total RPTTF requested for non-administrative obligations</b>	<b>11,360,179</b>
<u>Denied Items</u>	
Item No. 11	(20,000)
Item No. 12	(40,000)
Item No. 14	(75,000)
Item No. 17	(20,000)
Item No. 26	(60,000)
Item No. 27	(10,000)
	<u>(225,000)</u>
<u>Reclassified Items</u>	
Item No. 3	(75,000)
Item No. 15	(150,000)
Item No. 28	(50,000)
Item No. 29	(50,000)
Item No. 41	(20,000)
Item No. 42	(100,000)
	<u>(445,000)</u>
<b>Total RPTTF approved for non-administrative obligations</b>	<b>10,690,179</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. 28	50,000
Item No. 29	50,000
Item No. 41	20,000
Item No. 42	100,000
	<u>445,000</u>
<b>Total RPTTF for administrative obligations</b>	<b>183,600</b>
<b>Total RPTTF allowable for administrative obligations (see Admin Cost Cap table below)</b>	<b>320,705</b>
<b>Total RPTTF approved for obligations</b>	<b>11,010,884</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)	10,690,179
<b>Total RPTTF for fiscal year 2013-14</b>	<b>19,486,670</b>
Allowable administrative cost for fiscal year 2013-14 (Greater of 3% or \$250,000)	584,600
Administrative allowance for 13-14A (July through December 2013)	263,895
<b>Allowable RPTTF distribution for administrative cost for ROPS 13-14B</b>	<b>320,705</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/).

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 Derk Symons, 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