



December 17, 2013

Mr. Otis Ginoza, Deputy City Manager
City of Lawndale
14717 Burin Avenue
Lawndale, CA 90260

Dear Mr. Ginoza:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated October 18, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Lawndale Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14B) to Finance on September 5, 2013, for the period of January through June 2014. Finance issued a ROPS determination letter on October 18, 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 October 24, 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.

- Finance initially determined that claimed administrative costs exceeded the allowance by \$35,000 after reclassifying Item No. 28 as an administrative cost. Finance no longer reclassifies Item No. 28 as an administrative cost and claimed administrative costs no longer exceeds the allowance. 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 \$250,000 in administrative expenses. The Los Angeles Auditor-Controller's Office distributed \$125,000 of administrative costs for the July through December 2013 period (ROPS 13-14A), thus leaving a balance of \$125,000 available for the ROPS 13-14B period. Although \$125,000 was claimed for administrative cost, Item No. 28 for the Agency's annual audit in the amount of \$35,000 was considered an administrative expense and counted toward the cap. However, during the Meet and Confer process the Agency provided additional information showing that the annual audit is required pursuant to a Loan Agreement with the California Infrastructure and Economic Development Bank, which is an enforceable obligation listed as Item No. 2 on the ROPS. Therefore, Finance is no longer reclassifying Item No. 28 as an administrative expense and the administrative cost allowance has not been exceeded.

In addition, per Finance's letter dated October 18, 2013, we continue to deny the following items not contested by the Agency during the Meet and Confer:

- Item No. 14 – Expenditure of bond proceeds in the amount of \$6,000,000. This is a duplicate of Item No. 32. Since funding is approved for the bond cooperation agreement listed in No. 32, Item No. 14 is not eligible for bond funding.
- Item No. 32 – Bond Cooperation Agreement in the amount of \$6,000,000 is partially denied. In accordance with HSC section 34177 (I), requested payments are limited to the next six-month period. It is our understanding \$3,259,000 of bond proceeds are budgeted for expenditure in the ROPS 13-14B period. Therefore, the remaining balance in the amount of \$2,741,000 is not eligible for bond funding on this ROPS.

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 from the Redevelopment Property Tax Trust Fund (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 item that has 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 \$725,397 as summarized below:

Total RPTTF requested for non-administrative obligations	601,667
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations	\$ 726,667
ROPS III prior period adjustment	(1,270)
Total RPTTF approved for distribution	\$ 725,397

Pursuant to HSC section 34177 (I) (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 Mary Halterman, Analyst, at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Assistant Program Budget Manager

cc: Mr. Ken Louie, Finance Director, City of Lawndale
Ms. Kristina Burns, Manager, Los Angeles County Department of Auditor-Controller
California State Controller's Office