



December 17, 2013

Mr. Steve Valenzuela, Chief Executive Officer & CEO
City of Los Angeles Designated Local Authority
448 South Hill Street, Suite 1200
Los Angeles, CA 90013

Dear Mr. Valenzuela:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated October 29, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Los Angeles Designated Local Authority Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14B) to Finance on September 17, 2013, for the period of January through June 2014. Finance issued a ROPS determination letter on October 29, 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 12, 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. 415 – Wiggins Court Settlement in the amount of \$275,000 was denied. Finance continues to deny this item. Finance initially denied this item as it was our understanding the Settlement Agreement requires 25 percent of all tax increment allocation be set aside for affordable housing in the City Center Project Areas. The Agency contends the item is an enforceable obligation because there is a legal Settlement Agreement between the former RDA and a third party. However, this Settlement Agreement is not an enforceable obligation because there are no longer taxes allocated to the Agency pursuant to HSC section 33670. These taxes were the basis of the percentage set-asides required in the Settlement Agreement to fund low and moderate income housing. Because there are no longer such taxes allocated to the Agency, there are no longer required set-asides to enforce. The Agency did not provide any information indicating the amounts requested to be set aside were related to an enforceable obligation existing prior to June 27, 2011. Pursuant to ABx1 26 and AB 1484, tax increment is no longer payable to the former RDA and therefore there is no obligation. Therefore, this item is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.

In addition, even if the law allowed for the set-aside to continue, HSC section 34177 (d) required that all unencumbered balances in the Low and Moderate Income Housing

Fund be remitted to the county auditor controller for distribution to the taxing entities. Since the Agency is no longer authorized to enter into new contracts, any set-asides would be unencumbered, and therefore, subject to HSC section 34177 (d).

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 item denied in whole or in part as an enforceable obligation, 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 \$33,120,332 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2014	
Total RPTTF requested for non-administrative obligations	37,240,961
Total RPTTF requested for administrative obligations	-
Total RPTTF requested for obligations	\$ 37,240,961
Total RPTTF requested for non-administrative obligations	37,240,961
<u>Denied Items</u>	
Item No. 415	(275,000)
Total RPTTF approved for non-administrative obligations	36,965,961
Total RPTTF for administrative obligations	0
ROPS III prior period adjustment	(3,845,629)
Total RPTTF approved for distribution	\$ 33,120,332

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/>.

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: Ms. Daisy Pan, Special Projects Officer, City of Los Angeles Designated Local Authority
Ms. Kristina Burns, Manager, Los Angeles County Department of Auditor-Controller
California State Controller's Office