

October 30, 2013

Ms. Lorry Hempe, Public Works Special Projects Manager
City of Lynwood
11330 Bullis Road
Lynwood, CA 90262

Dear Ms. Hempe:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the Lynwood Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14B) to the California Department of Finance (Finance) on September 17, 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. 1, 4, and 6 – Tax allocation bonds in the amount of \$52,667,624. It is our understanding on ROPS 13-14A the Agency requested reserves for debt service payments for the 1999 Tax Allocation Bonds Series A, 1999 Tax Allocation Bonds Alameda, and 2011 Tax Allocation Bonds Series A. During the ROPS 13-14A Meet and Confer process, Finance approved \$899,981 to be retained for the ROPS 13-14B debt service payments. The Los Angeles County Auditor-Controller (CAC) confirmed the Agency received full funding for ROPS 13-14A obligations. Therefore, Redevelopment Property Tax Trust Fund (RPTTF) funding for these items is not allowed. However, Finance is reclassifying \$899,981 from RPTTF funding to Reserve funding.
- Item No. 17 – Unfunded OPEB liabilities in the amount of \$371,000. The Agency requested \$144,090 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 \$371,000 in unfunded pension liability allocated over five years results in ten bi-annual payments of \$37,100 and will cause the least amount of disruption to the taxing entities. Therefore, \$37,100 of unfunded pension obligation is an enforceable obligation payable on ROPS 13-14B. The remaining requested balance for this period of \$106,990 is not an enforceable obligation at this time, and should continue to be placed on future ROPS until the obligation is retired.

Finance notes the Agency is requesting \$34,305 of this obligation to be funded with reserves. This reserve funding comes from the remaining RPTTF left over from the ROPS III period. Since the County Auditor-Controller will adjust for this through the prior period adjustment process, Finance is reclassifying this ROPS III remaining balance of \$34,305 from Reserve funding to RPTTF.

- Item No. 83 – AB1484 Compliance in the amount of \$10,000. The Housing Assets Transfer Report, previously identified as Item No. 96 was denied by Finance during ROPS III and ROPS III Meet and Confer. Finance continues to deny this item. HSC section 34176 (a) (1) states if a city, county, or city and county elects to retain the authority to perform housing functions previously performed by a redevelopment agency, all rights, powers, duties, obligations and housing assets shall be transferred to the city, county, or city and county. Since the City assumed the housing functions, the administrative costs associated with these functions are the responsibility of the housing successor. Therefore, this line item is not an enforceable obligation and not eligible for RPTTF funding.
- Claimed administrative costs exceed the allowance by \$383,608. 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 \$161,608 for the July through December 2013 period, thus leaving a balance of \$88,392 available for the January through June 2014 period. Although \$250,000 is claimed for administrative cost, Item No. 42 for Agency Counsel in the amount of \$25,000, Item No. 51 for Employment Agreement in the amount of \$157,000, and Item No. 85 for AB1484 Compliance in the amount of \$40,000, totaling \$222,000 are considered administrative expenses and should be counted toward the cap. Therefore, \$383,608 of excess administrative cost is not allowed.

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 Agency's maximum approved RPTTF distribution for the reporting period is \$2,528,366 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2014	
Total RPTTF requested for non-administrative obligations	3,678,945
Total RPTTF requested for administrative obligations	250,000
Total RPTTF requested for obligations	\$ 3,928,945
Total RPTTF requested for non-administrative obligations	3,678,945
<u>Denied Items</u>	
Item No. 17	(106,990)
Item No. 83	(10,000)
	(116,990)
<u>Reclassified Items</u>	
Item No. 1	(289,688)
Item No. 4	(25,830)
Item No. 6	(584,463)
Item No. 17	34,305
Item No. 42	(25,000)
Item No. 51	(157,000)
Item No. 85	(40,000)
	(1,087,676)
Total RPTTF approved for non-administrative obligations	2,474,279
Total RPTTF requested for administrative obligations	250,000
<u>Reclassified Items</u>	
Item No. 42	25,000
Item No. 51	157,000
Item No. 85	40,000
	222,000
Total RPTTF for administrative obligations	472,000
Total RPTTF allowable for administrative obligations (see Admin Cost Cap table below)	88,392
Total RPTTF approved for obligations	2,562,671
ROPS III prior period adjustment (PPA)	(34,305)
Total RPTTF approved for distribution	\$ 2,528,366
Administrative Cost Cap Calculation	
Total RPTTF for 13-14A (July through December 2013)	2,162,394
Total RPTTF for 13-14B (January through June 2014)	2,468,879
Less approved unfunded obligations from prior periods	-
Total RPTTF for fiscal year 2013-14	4,631,273
Allowable administrative cost for fiscal year 2013-14 (Greater of 3% or \$250,000)	250,000
Administrative allowance for 13-14A (July through December 2013)	161,608
Allowable RPTTF distribution for administrative cost for ROPS 13-14B	88,392

Except for items denied in whole or in part as enforceable obligations or for item that have been reclassified, 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/

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/).

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 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 Kylie Le, Supervisor or Hugo Lopez, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Assistant Program Budget Manager

cc: Ms. Sarah Withers, Director of Community Development
Ms. Kristina Burns, Manager, Los Angeles County Department of Auditor-Controller
California State Controller's Office