



April 16, 2014

Mr. G. Harold Duffey, Executive Director  
City of Compton  
205 South Willowbrook Avenue  
Compton, CA 90220

Dear Mr. Duffey:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Compton Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15A) to the California Department of Finance (Finance) on March 3, 2014 for the period of July through December 2014. Finance has completed its review of your ROPS 14-15A, 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 No. 6 – Funding for Capital Appreciation Bonds 1995C in the amount of \$5,000,000. The Agency was distributed \$5,800,000 during ROPS 13-14B for the annual debt service payment due August 1, 2014 and is now requesting \$5,000,000 in reserves for the payment due August 1, 2015. HSC section 34171 (d) (1) (A) only allows successor agencies to hold a reserve for debt service payments when the next property tax allocation will be insufficient to pay all obligations due under the provisions of the bond for the next payment due in the *following half* of the calendar year. Therefore, the request to fund the payment due the *first half* of the calendar year is not an enforceable obligation and not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding on this ROPS.
- Item Nos. 7, 9, 10, and 11 – Project Implementation and Management Costs for the MLK Transit Center, Parking Structure, and Meta Housing projects totaling \$385,000. These items were previously denied during ROPS 13-14A and 13-14B. Finance continues to deny these items. The Agency has not provided documentation to support the estimated employee costs associated with these projects. Therefore, these items are not enforceable obligations and not eligible for bond funding on this ROPS.
- Item Nos. 51, 53, 54, 55, 151, 152, 167, 168, 170, 171, 177, 178, and 179 – Bond funded projects totaling \$13,800,000 are not enforceable obligations at this time. HSC section 34163 (b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011. It is our understanding that contracts for these line

items were awarded after June 27, 2011 or have not been awarded. Pursuant to HSC section 34191.4 (c), your request to use bond funds for these obligations may be allowable once the Agency receives a Finding of Completion from Finance.

- Item No. 133 – Project Management Assistance in the amount of \$25,000 funded with reserve balance. This item was previously denied during ROPS 13-14B and Finance continues to deny this item. HSC section 34163 (b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011. It is our understanding the contract for this line item was awarded after this date. Therefore, this item is not an enforceable obligation and not eligible for Reserve and administrative cost funding on this ROPS.
- Item Nos. 158, 163, 165, 173, 174, and 176 – Property Liability Insurance Premium, Capital Improvements, Escrow Deposits, and Demolition Activities totaling \$11,425,000. Insufficient documentation was provided to support the amounts claimed for these items. Therefore, these items are not enforceable obligations and not eligible for RPTTF and Other funding on this ROPS.
- Item No. 169 – 1995C Bond Reserve Requirement in the amount of \$3,000,000. The current reserve requirement is equal to the annual debt service payment of \$5,800,000 according to the 1995C Official Statement. Bank statements provided by the Agency confirm \$5,800,000 is currently in the reserve fund. Therefore, this item is not an enforceable obligation and not eligible for RPTTF funding on this ROPS.
- Claimed administrative costs exceed the allowance by \$374,850. HSC section 34171 (b) limits the fiscal year 2014-15 administrative expenses to three percent of property tax allocated to the Agency or \$250,000, whichever is greater. Although \$509,850 is claimed for administrative cost, Item Nos. 17 and 120 totaling \$115,000 are considered administrative expenses and should be counted toward the cap. Therefore, \$374,850 of excess administrative cost is not allowed.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 14-15A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2013 period. HSC section 34186 (a) also specifies 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 amount of RPTTF approved in the table on the next page includes excess prior period adjustment (PPA) of \$34,844. The current approved RPTTF is insufficient to allow for the PPA of \$4,406,500 to be fully expended during this ROPS period. The Agency should apply the remaining funds prior to requesting RPTTF on future ROPS.

Except for the items denied in whole or in part as enforceable obligations or for the items that have been reclassified, Finance is not objecting to the remaining items listed on your ROPS 14-15A. If you disagree with the determination with respect to any items on your ROPS 14-15A, 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 Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is zero as summarized below:

<b>Approved RPTTF Distribution For the period of July through December 2014</b>	
Total RPTTF requested for non-administrative obligations	20,411,616
Total RPTTF requested for administrative obligations	509,850
<b>Total RPTTF requested for obligations</b>	<b>\$ 20,921,466</b>
<b>Total RPTTF requested for non-administrative obligations</b>	<b>20,411,616</b>
<u>Denied Items</u>	
Item No. 6	(5,000,000)
Item No. 158	(8,000,000)
Item No. 163	(50,000)
Item No. 165	(50,000)
Item No. 169	(3,000,000)
Item No. 176	(75,000)
	(16,175,000)
<u>Reclassified Items</u>	
Item No. 17	(65,000)
Item No. 120	(50,000)
	(115,000)
<b>Total RPTTF authorized for non-administrative obligations</b>	<b>\$ 4,121,616</b>
<b>Total RPTTF requested for administrative obligations</b>	<b>509,850</b>
<u>Reclassified Items</u>	
Item No. 17	65,000
Item No. 120	50,000
	115,000
<u>Denied Item</u>	
Item No. 133	(5,000)
	(5,000)
Administrative costs in excess of the cap (see Admin Cost Cap table below)	(369,850)
<b>Total RPTTF authorized for administrative obligations</b>	<b>\$ 250,000</b>
<b>Total RPTTF authorized for obligations</b>	<b>\$ 4,371,616</b>
ROPS 13-14A prior period adjustment	(4,406,500)
Excess PPA	34,884
<b>Total RPTTF approved for distribution</b>	<b>\$ 0</b>

<b>Administrative Cost Cap Calculation</b>	
Total RPTTF authorized for non-administrative obligations	4,121,616
Percent allowed pursuant to HSC section 34171 (b)	3%
<b>Total RPTTF allowable for administrative obligations (Greater of 3% or \$250,000)</b>	<b>123,648 250,000</b>
Total RPTTF administrative obligations after Finance adjustments	619,850
<b>Administrative costs in excess of the cap</b>	<b>\$ (369,850)</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. During the ROPS 14-15A review, Finance requested financial records to support the cash 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 14-15A review period to properly identify the Agency's cash balances. If it is determined the Agency possesses cash balances that are available to pay approved obligations, the Agency should request the use of these cash balances prior to requesting RPTTF in ROPS 14-15B.

Please refer to the ROPS 14-15A schedule that was used to calculate the approved RPTTF amount:

<http://www.dof.ca.gov/redevelopment/ROPS>

Absent a Meet and Confer, this is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2014. This determination only applies 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 Kylie Oltmann, Supervisor or Veronica Green, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD  
Assistant Program Budget Manager

cc: Dr. Kofi Sefa-Boakye, Director of Redevelopment, City of Compton  
Ms. Kristina Burns, Manager, Department of Auditor-Controller, Los Angeles County  
California State Controller's Office