



May 16, 2014

Mr. Jeff Muir, CFO
Culver City
9770 Culver Boulevard
Culver City, CA 90232

Dear Mr. Muir:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated March 28, 2014. Pursuant to Health and Safety Code (HSC) section 34177 (m), the Culver City Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15A) to Finance on February 14, 2014, for the period of July through December 2014. Finance issued a ROPS determination letter on March 28, 2014. 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 April 9, 2014.

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 item being disputed.

Reclassification of Item Nos. 1 through 6 and 28 to Reserves – During our original review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should be used prior to requesting Redevelopment Property Tax Trust Fund (RPTTF). 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 (ROPS III) period. HSC section 34186 (a) also specifies prior period adjustments self-reported by successor agencies are subject to audit by the CAC and the State Controller.

During the ROPS 13-14B period, the Agency had approved expenditures totaling \$18,348,821, including amounts needed for debt service payments for ROPS 14-15A, Item Nos. 1 through 6 and 28. Although only \$7,699,962 was distributed as a result of the CAC's audit of the Agency's self-reported prior period adjustment totaling \$11,127,859, we note that the prior period adjustment did not decrease the Agency's authority to pay approved obligations. Rather, the prior period adjustment was an offset of RPTTF previously distributed to the Agency that should be available for payment of approved enforceable obligations. The Agency has not reported and/or demonstrated the amount has been expended on approved enforceable obligations. Therefore, we determined the Agency continues to be in possession of \$11,127,859 for ROPS 14-15A debt service payments. During the meet and confer, the Agency contended these funds are not available but did not provide documentation supporting these funds were expended

towards approved enforceable obligations during any past or current ROPS period; therefore, Finance maintains the prior period adjustment is necessary.

Pursuant to HSC section 34177 (l) (1) (E), RPTTF may be used as a funding source, but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation. Specifically, it was determined the county auditor-controller's Prior Period Adjustment of \$11,127,859 for the ROPS 13-14B period should be available for approved ROPS 14-15A obligations.

As such, the funding source for the following items have been reclassified to Reserve Balances and in the amounts specified below:

- Item Nos. 1 through 6 and 28 – Tax Allocation Bonds and Debt Service Loan totaling \$17,025,735. The Agency requests a combined \$17,025,735 of RPTTF for these items; however Finance is reclassifying \$11,127,859 to Reserve Balances. These items are enforceable obligations for the ROPS 14-15A period. However, the Agency should have \$11,127,859 available in Reserve Balances. Included in this amount, is \$10,082,278 requested to be held in reserves for the November 1, 2014 bond debt service payments approved in our ROPS 13-14B determination letter dated December 23, 2013. Therefore, Finance is approving RPTTF in the amount of \$5,897,876 and the use of Reserve Balances in the amount of \$11,127,859, totaling \$17,025,735 for Item Nos. 1 through 6 and 28.

In addition, per Finance's letter dated March 28, 2014, we maintain our determination on the following items not contested by the Agency during the Meet and Confer:

- Item No. 40 – Refunding of 1999 and 2002 TABs reporting fees in the amount of \$50,000. This line item is partially denied in the amount of \$26,000. Supporting documentation in the form of invoices support only \$24,000 of the work performed. Therefore, only \$24,000 for this line item is eligible for RPTTF funding.
- Claimed administrative costs exceed the allowance by \$322,999. HSC section 34171 (b) limits the fiscal year 14-15 administrative expenses to three percent of property tax allocated to the Agency or \$250,000, whichever is greater. Although \$625,000 is claimed for administrative cost, only \$302,001 is available pursuant to the cap. Therefore, \$322,999 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.

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. The Agency's maximum approved RPTTF distribution for the reporting period is \$10,412,620 as summarized in the following table:

| Approved RPTTF Distribution | |
|--|----------------------|
| For the period of July through December 2014 | |
| Total RPTTF requested for non-administrative obligations | 22,153,983 |
| Total RPTTF requested for administrative obligations | 625,000 |
| Total RPTTF requested for obligations | \$ 22,778,983 |
| Total RPTTF requested for non-administrative obligations | 22,153,983 |
| <u>Denied Item</u> | |
| Item No. 40 | (26,000) |
| | (26,000) |
| <u>Reclassified Item</u> | |
| Item No. 1 | (58,806) |
| Item No. 2 | (1,668,067) |
| Item No. 3 | (1,653,525) |
| Item No. 4 | (1,575,410) |
| Item No. 5 | (606,295) |
| Item No. 6 | (4,520,175) |
| Item No. 28 | (1,045,581) |
| | (11,127,859) |
| Total RPTTF authorized for non-administrative obligations | \$ 11,000,124 |
| Total RPTTF requested for administrative obligations | 625,000 |
| Administrative costs in excess of the cap (see Admin Cost Cap table below) | (322,999) |
| Total RPTTF authorized for administrative obligations | \$ 302,001 |
| Total RPTTF authorized for obligations | \$ 11,302,125 |
| ROPS 13-14A prior period adjustment | (889,505) |
| Total RPTTF approved for distribution | \$ 10,412,620 |

| Administrative Cost Cap Calculation | |
|---|-------------------|
| Total RPTTF authorized for non-administrative obligations | 11,000,124 |
| Less: 14-15A Authorized RPTTF Shortfall from a Prior Period - Item No. 47 | (479,000) |
| Less: 14-15A Authorized City Loan (Post 6/27/11) for Admin/EOs Shortfall Item No. 28 | (454,419) |
| Total RPTTF for non-administrative obligations | 10,066,705 |
| Percent allowed pursuant to HSC section 34171 (b) | 3% |
| Total RPTTF allowable for administrative obligations | 302,001 |

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 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 14-15A 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 14-15B.

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

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

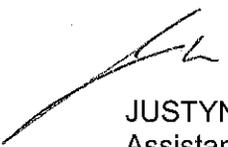
This is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2014. This determination only applies to items where funding was requested for the six-month period. Finance's determination is effective for this time period only and should 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 Evelyn Suess, Dispute Resolution Supervisor, or Danielle Brandon, Analyst, at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Assistant Program Budget Manager

cc: Mr. Nick Kimball, Procurement & Financial Services Manager, Culver City
Ms. Kristina Burns, Manager, Department of Auditor-Controller, Los Angeles County
California State Controller's Office