

April 3, 2014

Ms. Diane Perkin, Director of Administrative Services Department
City of Lakewood
5050 Clark Avenue
Lakewood, CA 90712

Dear Ms. Perkin:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Lakewood Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15A) to the California Department of Finance (Finance) on February 20, 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 does not qualify as an enforceable obligation for the reason specified:

- Item No. 27 – City loan repayment in the amount of \$284,998. It is our understanding; the Agency received full funding in the amount of \$318,740 in Redevelopment Property Tax Trust Fund (RPTTF) distribution on ROPS 13-14B. As such there is no cash short fall. Therefore, the request is not supported and does not qualify as an enforceable obligation. Further, OB Resolution No. 2014-1, approving a loan agreement between the Agency and the City of Lakewood in anticipation of a shortfall in ROPS 13-14B was denied in our letter dated March 18, 2014.

During the Meet and Discuss teleconference with the Agency on March 24, 2014, the Agency further clarified the loan was intended to recover a negative cash balance incurred prior to dissolution. The Agency stated prior to the dissolution, it was common practice to use Low and Moderate Income Housing Funds (LMIHF) to pay obligations. As such, tax increments received from the County Auditor-Controller were then used to replenish the LMIHF fund. Pursuant to HSC 34177 (a) (3), expenditures approved in the ROPS can only be made from the funds identified. It is unclear as to what authority the Agency used to borrow funds from the LMIHF. In addition, the use of funding sources other than those identified and approved on the ROPS is prohibited. Therefore, this loan is not an enforceable obligation pursuant to HSC section 34171 (d) (1) and ineligible for RPTTF funding.

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 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 item denied in whole or in part as enforceable obligation, 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/

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is \$1,936,341 as summarized below:

Approved RPTTF Distribution For the period of July through December 2014	
Total RPTTF requested for non-administrative obligations	2,396,339
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations	\$ 2,521,339
Total RPTTF requested for non-administrative obligations	2,396,339
<u>Denied Item</u>	
Item No. 27	(284,998)
Total RPTTF authorized for non-administrative obligations	\$ 2,111,341
Total RPTTF authorized for administrative obligations	\$ 125,000
Total RPTTF authorized for obligations	\$ 2,236,341
ROPS 13-14A prior period adjustment	(300,000)
Total RPTTF approved for distribution	\$ 1,936,341

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: Ms. Edianne Rodriguez, Senior Accountant, City of Lakewood
Ms. Kristina Burns, Manager, Department of Auditor-Controller, Los Angeles County
California State Controller's Office