

May 16, 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

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 3, 2014. 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 Finance on February 20, 2014, for the period of July through December 2014. Finance issued a ROPS determination letter on April 3, 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 10, 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.

- Item No. 27 – City loan repayment in the amount of \$284,998. Finance continues to deny this item. Finance initially denied this item as it was our understanding the Agency received full funding in the amount of \$318,740 from the Redevelopment Property Tax Trust Fund (RPTTF) distribution for ROPS 13-14B. As such, there is no cash shortfall. Therefore, it was determined that 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 (City) in anticipation of a shortfall in ROPS 13-14B was denied in our letter dated March 18, 2014.

During the Meet and Confer process, the Agency clarified this item is related to various cash flow issues and funding shortfalls beginning in the ROPS I period. However, based on a review of the Finance approved amounts and the County Auditor Controller (CAC) reported distributions, the Agency has received sufficient funding in each ROPS period to cover all reported expenditures that were eligible for payment. The Agency has not shown which ROPS period(s) a shortfall has occurred or which line item(s) the City loan in the amount of \$284,998 covers. HSC section 34173 (h) allows the city that authorized the creation of the former RDA to loan funds for administrative costs, enforceable obligations, or project-related expenses at the city's discretion. However, the Agency has not shown that this loan was expended on any of these allowable uses. Therefore, Finance continues to deny this item at this time.

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 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 enforceable obligation, 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 \$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>

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