DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

November 7, 2014

Ms. Linda Mann, Principal Administrative Analyst
City of Carson
701 East Carson Street
Carson, CA 90745

Dear Ms. Mann:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Carson Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15B) to the California Department of Finance (Finance) on September 23, 2014 for the period of January 1 through June 30, 2015. Finance has completed its review of your ROPS 14-15B, which may have included obtaining clarification for various items.

Based on a sample of line items reviewed and application of the law, Finance made the following determinations:

- Item Nos. 142 through 147, 149, and 150 – Reserves for debt service payments totaling $9,261,179, consisting of $5,295,768 in Other Funds and $3,965,411 in Redevelopment Property Tax Trust Fund (RPTTF) funding. Finance notes that pursuant to HSC section 34183 (a) (2) (A), debt service payments have first priority for payment from distributed RPTTF funding. As such, the $9,261,179 requested to be held in reserve along with the amounts required for the current ROPS period should be transferred upon approval and receipt to the bond trustee(s). The amounts approved for debt service payments on this ROPS are restricted for that purpose and are not authorized to be used for other ROPS items. Any requests to fund these debt service items again in the ROPS 15-16A period will be denied unless insufficient RPTTF was received to satisfy the approved annual debt service payments.

- Claimed administrative costs exceed the allowance by $24,463. HSC section 34171 (b) limits fiscal year 2014-15 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 $775,735 in administrative expenses. The Los Angeles Auditor-Controller's Office distributed $360,899 administrative costs for the July through December 2014 period, thus leaving a balance of $414,836 available for the January through June 2014 period. Although $415,549 is claimed for administrative cost, Item Nos. 26 through 28 for various contracted consultant services in the amount of $23,750 are considered administrative expenses and should be counted toward the cap. Therefore, $24,463 of excess administrative costs is not allowed.

In addition, Finance would like to note:

- Item Nos. 156, 157, 158 and 160 – Professional services and project management costs totaling $180,300 in Bond Proceeds funding. Per the Agency's request, these items have been removed. It is our understanding these projects are not within the Carson Consolidated Redevelopment Agency Area.

During our 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 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. The Agency provided financial records that displayed available Other Funds totaling $6,276,687 from sale of a former RDA owned property.

Therefore, the funding source for the following items have been reclassified to Other Funds and in the amounts specified below:

- Item Nos. 140 through 146 – Various debt service payments and bond reserves. The Agency requests total of $7,317,092 of RPTTF; however, Finance is reclassifying $6,276,687 to Other Funds. These items are enforceable obligations for the ROPS 14-15B period. However, the Agency has $6,276,687 in available Other Funds. Therefore, Finance is approving RPTTF in the amount of $1,040,405 and the use of Other Funds in the amount of $6,276,687, totaling $7,317,092.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 14-15B form the estimated obligations and actual payments (prior period adjustments) associated with the January through June 2014 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 review of the Agency's self-reported prior period adjustment.

Except for the items that have been reclassified, Finance is not objecting to the remaining items listed on your ROPS 14-15B. If you disagree with the determination with respect to any items on your ROPS 14-15B, 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 RPTTF distribution for the reporting period is $7,502,528 as summarized in the Approved RPTTF Distribution Table on the next page:

Approved RPTTF Distribution For the period of January through June 2015		
Total RPTTF requested for non-administrative obligations		13,851,643
Total RPTTF requested for administrative obligations		415,549
Total RPTTF requested for obligations on ROPS	**$**	**14,267,192**
Total RPTTF requested for non-administrative obligations		**13,851,643**
Reclassified Items		
Item No. 26		(12,500)
Item No. 27		(7,500)
Item No. 28		(3,750)
		(23,750)
Total RPTTF for non-administrative obligations		**13,827,893**
Cash Balances - Items reclassified to other funding sources		
Item No. 140		(615,944)
Item No. 141		(364,975)
Item No. 142		(2,205,000)
Item No. 143		(894,000)
Item No. 144		(500,850)
Item No. 145		(1,027,224)
Item No. 146		(668,694)
		(6,276,687)
Total RPTTF authorized for non-administrative obligations	**$**	**7,551,206**
Total RPTTF requested for administrative obligations		**415,549**
Reclassified Items		
Item No. 26		12,500
Item No. 27		7,500
Item No. 28		3,750
		23,750
Total RPTTF administrative obligations after Finance adjustments	**$**	**439,299**
Administrative costs in excess of the cap (see Admin Cost Cap table below)		(24,463)
Total RPTTF authorized for administrative obligations	**$**	**414,836**
Total RPTTF authorized for obligations	**$**	**7,966,042**
ROPS 13-14B prior period adjustment		(463,514)
Total RPTTF approved for distribution	**$**	**7,502,528**

Administrative Cost Cap Calculation		
Total RPTTF for 14-15A (July through December 2014)		12,029,953
Total RPTTF for 14-15B (January through June 2015)		13,827,893
Total RPTTF for fiscal year 2014-2015		**25,857,846**
Allowable administrative cost for fiscal year 2014-15 (Greater of 3% or $250,000)		775,735
Administrative allowance for 14-15A (July through December 2014)		360,899
Allowable RPTTF distribution for administrative cost for ROPS 14-15B		**414,836**
Total RPTTF administrative obligations after Finance adjustments		439,299
Administrative costs in excess of the cap	**$**	**(24,463)**

Please refer to the ROPS 14-15B 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 January 1 through June 30, 2015. 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 the 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 agency in the RPTTF.

Pursuant to HSC section 34177 (a) (3), only those payments listed on an approved ROPS may be made by the successor agency from the funds specified in the ROPS. However, if for whatever reason the Agency needs to make payments for approved obligations from another funding source, HSC section 34177 (a) (4) requires the Agency to first obtain oversight board approval.

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 Cindie Lor, Supervisor or Hugo Lopez, Lead Analyst at (916) 445-1546.

Sincerely,

JUSTYN HOWARD
Acting Program Budget Manager

cc: Ms. Kim Sao, Accounting Manager, City of Carson
Ms. Kristina Burns, Manager, Department of Auditor-Controller, Los Angeles County
California State Controller's Office