



November 13, 2014

Mr. Vilko Domic, Director of Finance / City Treasurer
City of Commerce
2535 Commerce Way
Commerce, CA 90040

Dear Mr. Domic:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Commerce Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15B) to the California Department of Finance (Finance) on October 1, 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 70 – ROPS 13-14B shortage in the amount of \$59,676 is not allowed. The Agency requests these funds due to a Redevelopment Property Tax Trust Fund (RPTTF) shortfall that occurred during ROPS 13-14B, in which the Agency did not receive their full authorized administrative costs distribution. However, based on the ROPS 13-14B Prior Period Adjustments (PPA) review submitted by the Los Angeles County Auditor-Controller, the Agency's administrative expenditures in excess of total available RPTTF Admin was allowed to net against remaining RPTTF Non-Admin cash available. Therefore, this line item is not an enforceable obligation and is not eligible for RPTTF Funding on this ROPS.
- Claimed administrative costs exceed the allowance by \$168,262. 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. As a result, the Agency is eligible for \$343,876 in administrative expenses. The Los Angeles Auditor-Controller's Office distributed \$250,000 administrative costs for the July through December 2014 period, thus leaving a balance of \$93,876 available for the January through June 2015 period. Although \$262,138 is claimed for administrative cost, only \$93,876 is available pursuant to the cap. Therefore, \$168,262 of excess administrative cost is not allowed.

During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should be used prior to requesting 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. The Agency provided financial records that displayed available Reserve Balances totaling \$306,074.

Therefore, with the Agency's concurrence, the funding source for the following item has been reclassified to Other Funds and in the amount specified below:

- Item No. 4 – 2007 Tax Allocation Revenue Bonds. The Agency requests \$1,519,256 of RPTTF; however, Finance is reclassifying \$306,074 to Other Funds. This item is an enforceable obligation for the ROPS 14-15B period. However, the obligation does not require payment from property tax revenues and the Agency has \$306,074 in available Other Funds. Therefore, Finance is approving RPTTF in the amount of \$1,213,182 and the use of Other Funds in the amount of \$306,074, totaling \$1,519,256.

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 review 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 item denied in whole or in part or item that has 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 \$3,509,441 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	3,826,226
Total RPTTF requested for administrative obligations	262,138
Total RPTTF requested for obligations on ROPS	\$ 4,088,364
Total RPTTF requested for non-administrative obligations	3,826,226
<u>Denied Item</u>	
Item No. 70	(59,676)
Total RPTTF for non-administrative obligations	3,766,550
<u>Cash Balances - Item reclassified to other funding sources</u>	
Item No. 4	(306,074)
Total RPTTF authorized for non-administrative obligations	\$ 3,460,476
Total RPTTF requested for administrative obligations	262,138
Administrative costs in excess of the cap (see Admin Cost Cap table below)	(168,262)
Total RPTTF authorized for administrative obligations	\$ 93,876
Total RPTTF authorized for obligations	\$ 3,554,352
ROPS 13-14B prior period adjustment	(44,911)
Total RPTTF approved for distribution	\$ 3,509,441

Administrative Cost Cap Calculation	
Total RPTTF for 14-15A (July through December 2014)	7,695,991
Total RPTTF for 14-15B (January through June 2015)	3,766,550
Total RPTTF for fiscal year 2014-2015	11,462,541
Allowable administrative cost for fiscal year 2014-15 (Greater of 3% or \$250,000)	343,876
Administrative allowance for 14-15A (July through December 2014)	250,000
Allowable RPTTF distribution for administrative cost for ROPS 14-15B	93,876
Total RPTTF administrative obligations after Finance adjustments	262,138
Administrative costs in excess of the cap	\$ (168,262)

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: Mr. Josh Brooks, Assistant Director of Finance, City of Commerce
Ms. Kristina Burns, Manager, Department of Auditor-Controller, Los Angeles County
California State Controller's Office