

December 17, 2014

Mr. Daniel Rofoli, Consultant
Los Angeles County
700 West Main Street
Alhambra, CA 91801

Dear Mr. Rofoli:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated October 24, 2014. Pursuant to Health and Safety Code (HSC) section 34177 (m), the County of Los Angeles Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15B) to Finance on September 17, 2014, for the period of January through June 2015. Finance issued a ROPS determination letter on October 24, 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 November 6, 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 items being disputed.

- Item No. 8 – Housing Successor Agency Administrative Allowance in the amount of \$150,000. Finance continues to deny this item. Finance denied this item because pursuant to HSC section 34171 (p), the housing entity administrative cost allowance is applicable only in cases where the city, county, or city and county that authorized the creation of the redevelopment agency (RDA) elected to not assume the housing functions. Because the housing entity to the former RDA of the County of Los Angeles (County) is the County-formed Housing Authority (Authority), and the Authority operates under the control of the County, the Authority is considered the County under Dissolution Law (ABx1 26 and AB 1484).

The Agency contends that the County elected not to retain the housing functions, but the Authority, as a separate legal entity from the County, did retain the housing functions pursuant to HSC section 34176 (b) and should therefore be eligible for the housing entity administrative allowance. However, pursuant to HSC section 34167.10 (a), the definition of "county" includes, but is not limited to, any reporting entity of the county for purposes of its comprehensive annual financial report (CAFR), any component unit of the county, or any entity controlled by the county or for which the county is financially responsible or accountable. HSC section 34167.10 (a) defines "county" for purposes of all of Dissolution Law, which includes HSC section 34171, as amended by AB 471, and HSC

section 34176. The Authority is included in the County's CAFR, which identifies the Authority as a component unit of the County and states that the County is financially accountable for the component units.

Although the Authority is a separate legal entity from the County, HSC section 34167.10 (c) states that it shall not be relevant that the entity is formed as a separate legal entity. It should also be noted that HSC section 34167.10 (c) goes on to state that "the provisions of this section are declarative of existing law as the entities described herein are and were intended to be included within the requirements of this part [Part 1.8] and Part 1.85...and any attempt to determine otherwise would thwart the intent of these two parts." Therefore, based on our review, the County, by way of the Authority, elected to retain the housing functions pursuant to HSC section 34176 (a) and is not eligible for \$150,000 of housing entity administrative allowance.

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 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.

The administrative costs claimed are within the fiscal year administrative cap pursuant to HSC section 34171 (b). However, Finance notes the oversight board has approved an amount that appears excessive, given the number and nature of the obligations listed on the ROPS. HSC section 34179 (i) requires the oversight board to exercise a fiduciary duty to the taxing entities. Therefore, Finance encourages the oversight board to apply adequate oversight when evaluating the administrative resources required to successfully wind-down the Agency.

Except for the item denied, Finance is not objecting to the remaining items listed on your ROPS 14-15B. The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is \$121,269 as summarized in the Approved RPTTF Distribution Table on the following page:

Approved RPTTF Distribution For the period of January through June 2015	
Total RPTTF requested for non-administrative obligations	169,000
Total RPTTF requested for administrative obligations	124,848
Total RPTTF requested for obligations on ROPS	\$ 293,848
Total RPTTF requested for non-administrative obligations	169,000
<u>Denied Item</u>	
Item No. 8	(150,000)
Total RPTTF authorized for non-administrative obligations	\$ 19,000
Total RPTTF requested for administrative obligations	124,848
Total RPTTF authorized for administrative obligations	\$ 124,848
Total RPTTF authorized for obligations	\$ 143,848
ROPS 13-14B prior period adjustment	(22,579)
Total RPTTF approved for distribution	\$ 121,269

Please refer to the ROPS 14-15B 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 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.

Mr. Daniel Rofoli
December 17, 2014
Page 4

Please direct inquiries to Evelyn Suess, Dispute Resolution Supervisor or Danielle Brandon, Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Acting Program Budget Manager

cc: Ms. Denise Mendoza, Analyst, Los Angeles County
Ms. Kristina Burns, Manager, Department of Auditor-Controller, Los Angeles County
California State Controller's Office