



May 15, 2015

Mr. Johnny Ford, Executive Director  
City of Compton  
205 South Willowbrook Avenue  
Compton, CA 90220

Dear Mr. Ford:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 10, 2015. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Compton Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 15-16A) to Finance on March 03, 2015, for the period of July through December 2015. Finance issued a ROPS determination letter on April 10, 2015. Subsequently, the Agency requested a Meet and Confer session on one or more of the determinations made by Finance. The Meet and Confer session was held on April 21, 2015.

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 determinations being disputed.

- Item Nos. 9, 13 and 152 – Various projects totaling \$2,510,975 funded with Bond Proceeds. Finance continues to deny these items at this time. The Agency did not contest these items during the Meet and Confer process. However, the Agency noted that it will follow the process set forth in HSC section 34176 (g) to use the remaining bond proceeds in a future period.
- Item Nos. 10 – Project management Costs totaling \$524,236 in housing bond proceeds. Finance no longer denies this item. The Agency complied with HSC section 34176 (g) which authorizes the housing successor to designate the use of and commit bond proceeds that remain after the satisfaction of enforceable obligations that have been approved in a ROPS and that are consistent with the bond covenants by providing notice to the successor agency of any designations of use or commitments of funds that it wishes to make at least 20 days before the deadline for submission of the ROPS to the Oversight Board (OB). In addition, the Agency provided documentation supporting that the requested bond proceeds are available for use and pursuant to the bond covenants. Therefore, this item is eligible for funding from the requested bond proceeds in the amount of \$524,236.

- Item Nos. 11, 12, 14, 20, 51, 53, 54, 55, 121, 167, 170 and 176 – Various projects totaling \$9,370,513 funded with Bond Proceeds. Finance no longer denies these items. Although the Agency has not received a Finding of Completion, the housing successor followed the process set forth in HSC section 34176 (g), which authorizes the housing successor to designate the use of and commit bond proceeds that remain after the satisfaction of enforceable obligations that have been approved in a ROPS and that are consistent with the bond covenants by providing notice to the successor agency of any designations of use or commitments of funds that it wishes to make at least 20 days before the deadline for submission of the ROPS to the Oversight Board (OB). The proceeds are derived from bonds that were issued for the purposes of affordable housing and issued prior to December 31, 2010. In addition, the Agency submitted OB resolution 2015-005 approving the transfer of bond proceeds to the housing successor. Finance approved the OB resolution in the amount of \$9,370,513. Therefore, these items are eligible for funding from the requested bond proceeds in the total amount of \$9,370,513.

We note that the Agency's request for RPTTF for Item No. 176 continues to be denied as discussed below.

- Claimed administrative costs exceed the allowance by \$523,850. This amount has been reduced from our original letter to reflect the approval of Item No. 20 above. Finance maintains the remaining adjustments are accurate and necessary. As such, HSC section 34171 (b) limits the fiscal year 2015-16 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 \$250,000 in administrative expenses. Although \$533,850 is claimed for administrative cost, Item Nos. 8, 16 and 44 totaling \$240,000 are considered administrative expenses and should be counted toward the cap. Therefore, \$523,850 of excess administrative cost is not allowed.

In addition, per Finance's letter dated April 10, 2015, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

- Item No. 6 – Debt service reserves in the amount of \$5,800,000 for a payment due in the July through December 2016 period is not allowed. HSC section 34171 (d) (1) (A) allows successor agencies to hold a reserve for debt service payments when the next property tax allocation will be insufficient to pay all obligations due under the provisions of the bond for the next payment due in the following half of the calendar year. Therefore, the request to fund a payment due in the July through December 2016 period is not allowed.
- Item No. 120 – Project Management Costs totaling \$100,000 payable to State Water Resources Control Board (SWRCB). Finance previously denied this item during ROPS 14-15B as it was determined not to be an obligation of the Agency. The Agency previously claimed this item was for remediation costs associated with a previously approved project. Our review of the documentation provided by the Agency indicated this item is due to a notice to the City from SWRCB requiring the City to submit a work-plan for investigation of soil and groundwater on a specific property. However, the Agency did not provide documentation supporting the property is owned by the Agency or that the Agency has an obligation to perform the required actions. Therefore, this

item is not an enforceable obligation as defined in HSC section 34171 (d) and is not eligible for Redevelopment Property Tax Trust Fund (RPTTF).

- Item No. 158 – Prior City General Fund Obligation and Liabilities totaling \$4,500,000. Finance previously denied this item during ROPS 14-15B as it was determined not to be an obligation of the Agency. The Agency has previously stated the requested amount is for repayment to the City of Compton (City) for certain tax allocation bonds issued. The Compton Public Finance Authority (Authority) issued 1987 Series A Revenue Bonds on November 1, 1987 to, among other things, make a loan of the bond proceeds to the former redevelopment agency (RDA). The Agency claims that in accordance with the issued bonds, the former RDA entered into a Reimbursement and Repayment Agreement (Agreement) for Services with the City and the Authority on November 17, 1987. Based on our review, the Agreement did not obligate the former RDA to make payments to the City in relation to the 1987 bonds issued, but rather, the agreement provides that the Authority will reimburse the City and RDA for certain services and facilities made available by the City and the RDA.

We note that the Authority is comprised of the City and the former RDA. HSC section 34171 (d) (2) states that loan agreements entered into between the RDA and the city, county, or city and county that created it, within two years of the date of creation of the RDA, or solely for the purpose of securing or repaying indebtedness obligations may be deemed to be enforceable obligations. While the Agreement was entered into at the same time the bonds were issued, the Agreement is not solely for the purpose of issuing the bonds. Therefore, this item is not an enforceable obligation and not eligible for RPTTF funding.

- Item Nos. 165 and 176 – Capital Improvements and Remediation Activities totaling \$1,925,000 funded with RPTTF are not enforceable obligations. Insufficient documentation was provided to support the amounts claimed. To the extent the Agency can provide suitable documentation, such as executed contracts, to support the requested funding, the Agency may be able to obtain RPTTF on future ROPS.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 15-16A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 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 denied in whole or in part or items that have been reclassified, Finance is not objecting to the remaining items listed on your ROPS 15-16A.

The Agency's maximum approved RPTTF distribution for the reporting period is \$5,588,970 as summarized in the Approved RPTTF Distribution table below:

<b>Approved RPTTF Distribution</b>	
<b>For the period of July through December 2015</b>	
Total RPTTF requested for non-administrative obligations	15,878,970
Total RPTTF requested for administrative obligations	533,850
<b>Total RPTTF requested for obligations on ROPS</b>	<b>\$ 16,412,820</b>
<b>Total RPTTF requested for non-administrative obligations</b>	<b>15,878,970</b>
<u>Denied Items</u>	
Item No. 6	(5,800,000)
Item No. 120	(50,000)
Item No. 158	(4,500,000)
Item No. 165	(50,000)
Item No. 176	(75,000)
	(10,475,000)
<u>Reclassified Items</u>	
Item No. 16	(65,000)
<b>Total RPTTF authorized for non-administrative obligations</b>	<b>\$ 5,338,970</b>
<b>Total RPTTF requested for administrative obligations</b>	<b>533,850</b>
<u>Reclassified Items</u>	
Item No. 8	135,000
Item No. 16	65,000
Item No. 44	40,000
	240,000
Administrative costs in excess of the cap (see Admin Cost Cap table below)	(523,850)
<b>Total RPTTF authorized for administrative obligations</b>	<b>\$ 250,000</b>
<b>Total RPTTF authorized for obligations</b>	<b>\$ 5,588,970</b>
ROPS 14-15A prior period adjustment	0
<b>Total RPTTF approved for distribution</b>	<b>\$ 5,588,970</b>

<b>Administrative Cost Cap Calculation</b>	
Total RPTTF authorized for non-administrative obligations	5,338,970
Percent allowed pursuant to HSC section 34171 (b)	3%
<b>Total RPTTF allowable for administrative obligations</b>	<b>160,169</b>
<b>(Greater of 3% or \$250,000)</b>	<b>250,000</b>
Total RPTTF administrative obligations after Finance adjustments	773,850
<b>Administrative costs in excess of the cap</b>	<b>\$ (523,850)</b>

Pursuant to HSC section 34177 (l) (1) (E), agencies are required to use all available funding sources prior to RPTTF for payment of enforceable obligations. During the ROPS 15-16A review, Finance requested financial records to support the cash balances reported by the Agency; however, Finance was unable to reconcile the financial records to the amounts reported. As a result, Finance will continue to work with the Agency after the ROPS 15-16A review period to properly identify the Agency's cash balances. If it is determined the Agency possesses cash balances that are available to pay approved obligations, the Agency should request the use of these cash balances prior to requesting RPTTF in ROPS 15-16B.

Please refer to the ROPS 15-16A 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, 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 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 Evelyn Suess, Dispute Resolution Supervisor, or Danielle Brandon, Analyst, at (916) 445-3274.

Sincerely,



JUSTYN HOWARD  
Program Budget Manager

cc: Dr. Kofi Sefa-Boakye, Director of Redevelopment, City of Compton  
Ms. Kristina Burns, Manager, Department of Auditor-Controller, Los Angeles County  
California State Controller's Office