DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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REVISED

May 12, 2015

Mr. Jeff Muir, CFO
Culver City
9770 Culver Boulevard
Culver City, CA 90232

Dear Mr. Muir:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS 15-16A) determination letter dated March 23, 2015. A revision is necessary to include a clarifying statement. Pursuant to Health and Safety Code (HSC) section 34177 (m), the Culver City Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 15-16A) to the California Department of Finance (Finance) on February 13, 2015 for the period of July 1, 2015 through December 31, 2015. Finance has completed its review of your ROPS 15-16A, 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. 23 and 24 – Deferred housing set-aside loan repayment for purposes of the Educational Revenue Augmentation Fund (ERAF) totaling $1,093,848 is not allowed at this time.

  HSC section 34191.4 (b) (2) (A) allows this repayment to be equal to one-half of the increase between the ROPS residual pass-through distributed to the taxing entities in that fiscal year and the ROPS residual pass-through distributed to the taxing entities in the fiscal year 2012-13 base year. According to the County Auditor-Controller's reports, the amount distributed to the taxing entities for fiscal year 2012-13 and 2014-15 are $11,559,339 and $10,473,745, respectively. Therefore, pursuant to the repayment formula, the maximum repayment amount authorized for fiscal year 2015-16 is zero. Therefore, the $1,093,848 requested for loan repayment is not allowed.

- Claimed administrative costs exceed the allowance by $195,000. HSC section 34171 (b) limits fiscal year 2015-2016 administrative expenses to three percent of property tax allocated to the Agency or $250,000, whichever is greater. The Agency is requesting $445,000 for administrative costs. However, it is our understanding; the total authorized Redevelopment Property Tax Trust Fund (RPTTF) for non-administrative

obligations in the amount of $13,860,209 includes Item Nos. 19 through 21, 28 through 36, 39, 47, 48, 51 and 52, totaling $8,474,746. While unfunded, these amounts were previously authorized in ROPS 13-14B, 14-15A and 14-15B and therefore; these item's share of administrative allowance has been previously funded. In addition, Finance is approving Item Nos. 47, 48, and 52 to account for previously unfunded administrative costs.

As demonstrated in the Administrative Cost Cap Calculation table below, $8,474,746 is not eligible towards the administrative cost cap, thus reducing the three percent allocation to $161,564. As a result, the Agency is eligible for $250,000. Although, $445,000 is claimed for administrative cost, only $250,000 is available pursuant to the cap. Therefore, $195,000 of excess administrative costs is not allowed.

In addition, Finance notes the following:

- There is pending litigation between Finance, the Agency, and the City of Culver City (City) regarding the approximate $12,500,000 transfer from the former Redevelopment Agency to the City and previous adjustments made by the County Auditor-Controller and Finance for previous ROPS periods. (See City of Culver City v. Cohen (C077799, app. pending). Finance maintains that the funds at issue must be returned by the City to the Agency. In light of the pending appeal, Finance is not making an adjustment with respect to the $12,500,000 transfer at this time. However, in no respect does this mean that Finance has changed its position regarding the transfer and related issues raised in the pending litigation, or waive any objection to the illegal transfer.

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 Redevelopment Property Tax Trust Fund (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, Finance is not objecting to the remaining items listed on your ROPS 15-16A. If you disagree with the determination with respect to any items on your ROPS 15-16A, 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 $13,279,510 as summarized in the Approved RPTTF Distribution table below:

Approved RPTTF Distribution For the period of July through December 2015		
Total RPTTF requested for non-administrative obligations		14,954,057
Total RPTTF requested for administrative obligations		445,000
Total RPTTF requested for obligations on ROPS	**$**	**15,399,057**
Total RPTTF requested for non-administrative obligations		**14,954,057**
Denied Items		
Item No. 23		(25,848)
Item No. 24		(1,068,000)
		(1,093,848)
Total RPTTF authorized for non-administrative obligations	**$**	**13,860,209**
Total RPTTF requested for administrative obligations		**445,000**
Administrative costs in excess of the cap (see Admin Cost Cap table below)		(195,000)
Total RPTTF authorized for administrative obligations	**$**	**250,000**
Total RPTTF authorized for obligations	**$**	**14,110,209**
ROPS 14-15A prior period adjustment		(830,699)
Total RPTTF approved for distribution	**$**	**13,279,510**

Administrative Cost Cap Calculation		
Total RPTTF for non-administrative obligations		13,860,209
Less: Administrative costs adjustment for Item Nos. 19 through 21, 28 through 36, 39, 47, 48, 51, and 52		(8,474,746)
Total RPTTF for Non-Administrative obligations		**5,385,463**
Percent allowed pursuant to HSC section 34171 (b)		3%
Fiscal Year 15-16 Admin RPTTF		**161,564**
Administrative Cost Allowance Available for the 15-16 Fiscal Year		250,000
Authorized Administrative RPTTF expenditures	**$**	**250,000**

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. The Agency was able to support the amounts reported except ending balances which included the Prior Period Adjustment (PPA) from the ROPS 14-15A period. Finance will continue to work with the Agency after the ROPS 15-16A review period to resolve any remaining issues as described above. If it is determined the Agency possesses additional 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

Absent a Meet and Confer, 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 Kylie Oltmann, Supervisor or Nicole Prisakar, Lead Analyst at (916) 445-1546.

Sincerely,

for

JUSTYN HOWARD
Program Budget Manager

cc: Ms. Erica McAdoo, Sr. Management Analyst, Culver City
Ms. Kristina Burns, Manager, Department of Auditor-Controller, Los Angeles County
California State Controller's Office