



March 6, 2015

Ms. Kathryn Downs, Acting Finance Officer
City of Rancho Palos Verdes
30940 Hawthorne Boulevard
Rancho Palos Verdes, CA 90275

Dear Ms. Downs:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Rancho Palos Verdes Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 15-16A) to the California Department of Finance (Finance) on February 4, 2015 for the period of July 1 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 No. 1 – 1997 Tax Increment Bond in the amount of \$296,375 is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding. It is our understanding; that the debt service payment for this item is paid by the County Auditor Controller (CAC) prior to the RPTTF distribution. To avoid continual overpayment of RPTTF, on February 11, 2015, the CAC contacted Finance requesting to reclassify \$296,375 to Other funds. Therefore, this item is not eligible for RPTTF funding and will be reclassified to Other funds.
- Item No. 3 – The total outstanding balance for the consolidated loan is overstated. Pursuant to HSC section 34191.4 (b) (2), the recalculation of the accumulated interest from loan origination is not to exceed the interest rate earned by funds deposited in the Local Agency Investment Fund (LAIF). The total outstanding balance for Item No. 3 includes miscalculated interest. The accumulated interest on the loan should be recalculated using the LAIF interest rate at the time when the Agency's Oversight Board makes a finding the loan was for legitimate redevelopment purposes.

Finance has recalculated the total outstanding loan balance to be approximately \$7,000,000 and therefore has reduced the outstanding loan balance reported on the Agency's ROPS Detail Form by approximately \$5,000,000. Since the amount requested for ROPS 15-16A does not exceed the repayment formula outlined in HSC section 34191.4 (b) (2) (A), Finance is approving the amount requested.

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 (PPA) 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.

The amount of RPTTF approved in the below table includes excess PPA of \$256,999. The current approved RPTTF is insufficient to allow for the PPA of \$256,999 during this ROPS period. The Agency should apply the remaining funds prior to requesting RPTTF on future ROPS. To the extent the agency will not require the use of these funds in the future to fund enforceable obligations on the ROPS; the Agency should remit any unencumbered balances to the CAC for distribution to the taxing entities pursuant to HSC section 34177 (d).

Except for the item that has been reclassified and the reduction to Item No. 3's outstanding balance, 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 \$0 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	296,375
Total RPTTF requested for administrative obligations	0
Total RPTTF requested for obligations on ROPS	\$ 296,375
Total RPTTF requested for non-administrative obligations	296,375
<u>Reclassified Item(s)</u>	
Item No. 1	(296,375)
Total RPTTF authorized for non-administrative obligations	\$ 0
Total RPTTF authorized for administrative obligations	\$ 0
Total RPTTF authorized for obligations	\$ 0
ROPS 14-15A prior period adjustment	(256,999)
Excess PPA	256,999
Total RPTTF approved for distribution	\$ 0

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,



JUSTYN HOWARD
Program Budget Manager

cc: Ms.Carolynn Petru, Acting Executive Director, City of Rancho Palos Verdes
Ms. Kristina Burns, Manager, Department of Auditor-Controller, Los Angeles County
California State Controller's Office