



November 12, 2015

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) (1) (A), the City of Commerce Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule for the period January 1 through June 30, 2016 (ROPS 15-16B) to the California Department of Finance (Finance) on September 29, 2015. Finance has completed its review of the ROPS 15-16B.

Based on a sample of line items reviewed and application of the law, Finance made the following determinations:

- Item Nos. 7, 20, and 34 – Arbitrage Preparation Services totaling \$12,000 is partially approved. The Agency provided documentation to support the six-month amount of \$6,500. Therefore the excess amounts of \$2,300 for Item No. 7, \$2,300 for Item No. 20 and \$900 for Item No. 34 totaling \$5,500 is not allowed. To the extent the Agency can provide suitable supporting documentation such as vendor invoices, this line may be eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding on the future.
- Item No. 30 – City loan repayment in the requested amount of \$24,143 for ROPS 15-16B and total outstanding amount of \$100,000 is not allowed. Pursuant to HSC section 34191.4 (b), loan agreements between the former redevelopment agency and sponsoring entity may be placed on the ROPS if the following requirements are met: (1) the Agency has received a Finding of Completion; and (2) the Agency's oversight board (OB) approves the loan as an enforceable obligation by finding the loan was for legitimate redevelopment purposes.

The Agency received a Finding of Completion on May, 24 2013. However, Finance denied this particular loan in our November 10, 2015 OB Resolution No. 15-12 determination letter. As such, this item is not an enforceable obligation and is not eligible for funding.

- Item No. 44 – City loan repayment request is being increased by \$24,143, from \$96,572 to \$130,715. As a result of denying Item No. 30 above, Finance applied the denied

funding to Item No. 44 to allow the Agency to receive its maximum allowable loan repayment per HSC section 34191.4 (b) (3) (A).

- Item No. 68 – Commerce Refuse to Energy Facility in the requested amount of \$12,500 is partially approved. The Agency provided support showing a six month need of \$6,500. Therefore, \$6,000 in RPTTF is not allowed.
- Item No. 75 – Testing for Toxic substances in the amount of \$115,000 is not allowable. Finance denied the contamination testing costs for the property located on 1350 South Eastern Avenue in our October 22, 2015 OB No. 15-08 determination letter. In addition, this property is subject to ongoing litigation between Mayans Development, Inc. and the Agency and no final ruling has been issued at this time. Pursuant to HSC section 34177.3 (a), successor agencies shall lack the authority to, and shall not, create new enforceable obligations or begin new redevelopment work, except in compliance with an enforceable obligation that existed prior to June 28, 2011. This proposed agreement would create new development work, and is not in compliance with an enforceable obligation existing prior to June 28, 2011; therefore this line item is not enforceable and not eligible for funding on this ROPS.
- Claimed administrative costs exceed the allowance by \$195,344. HSC section 34171 (b) (2) limits the fiscal year 2015-16 administrative expenses to three percent of the RPTTF allocated or \$250,000, whichever is greater. As a result, the Agency is eligible for \$304,656. The Los Angeles County Auditor-Controller distributed \$250,000 for the July through December 2015 period, thus leaving a balance of \$54,656 available for the January through June 2016 period. Although \$250,000 is claimed for administrative cost, only \$54,656 is available pursuant to the cap.

In addition, the maximum allowed administrative costs are based on a percentage of approved RPTTF, which includes Item No. 67 related to maintenance of the Commerce Refuse to Energy Facility. This item was previously funded in ROPS 14-15B and it is our understanding the Agency did not use the distributed funding in 14-15B, and this non-use has been appropriately accounted for through the Prior Period Adjustment. However, the share of administrative allowance for these line items has already been funded on prior ROPS, and the Agency reports to have fully expended the administrative costs associated with these line items. As a result, \$100,000 was not included in total RPTTF when calculating the administrative costs allowance for the ROPS 15-16B period. As demonstrated in the Administrative Cost Cap Calculation table below, \$100,000 is not eligible towards the administrative cost cap, thus reducing the remaining balance for ROPS 15-16B to \$54,646. As a result, the excess amount of \$195,344 is in excess of the administrative cost allowance.

Pursuant to HSC section 34186 (a) (1), the Agency was required to report on the ROPS 15-16B form the estimated obligations versus actual payments (prior period adjustment) associated with the January through June 2015 period (ROPS 14-15B). HSC section 34186 (a) (1) also specifies the prior period adjustment self-reported by the Agency is subject to review by the county auditor-controller (CAC). The amount of approved in the table on the following page 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 15-16B. If you disagree with Finance's determination with respect to any

items on your ROPS 15-16B, except for those items which are the subject of litigation disputing Finance's previous or related determinations, 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/](http://www.dof.ca.gov/redevelopment/meet_and_confer/)

The Agency's maximum approved RPTTF distribution for the reporting period is \$6,740,510 as summarized in the Approved RPTTF Distribution table below:

Approved RPTTF Distribution	
For the period of January through June 2016	
Total RPTTF requested for non-administrative obligations	7,468,728
Total RPTTF requested for administrative obligations	250,000
Total RPTTF requested for obligations on ROPS 15-16B	\$ 7,718,728
Total RPTTF requested for non-administrative obligations	7,468,728
<u>Denied Items</u>	
Item No. 7	(2,300)
Item No. 20	(2,300)
Item No. 30	(24,143)
Item No. 34	(900)
Item No. 44	24,143
Item No. 68	(6,000)
Item No. 75	(115,000)
	(126,500)
Total RPTTF authorized for non-administrative obligations	\$ 7,342,228
Total RPTTF requested for administrative obligations	250,000
Administrative costs in excess of the cap (see Admin Cost Cap table below)	(195,344)
Total RPTTF authorized for administrative obligations	\$ 54,656
Total RPTTF authorized for obligations	\$ 7,396,884
ROPS 14-15B prior period adjustment	(656,374)
Total RPTTF approved for distribution	\$ 6,740,510

Administrative Cost Cap Calculation	
Total RPTTF for 15-16A (July through December 2015)	2,912,961
Total RPTTF for 15-16B (January through June 2016)	7,342,228
Less: Administrative costs adjustment for Item No. 67	(100,000)
Total RPTTF for fiscal year 2015-2016	10,155,189
Administrative cost cap for fiscal year 2015-16 (Greater of 3% of Total RPTTF or \$250,000)	304,656
Administrative allowance for ROPS 15-16A (July through December 2015)	(250,000)
Remaining administrative cost cap for ROPS 15-16B	54,656
ROPS 15-16B administrative obligations after Finance adjustments	(250,000)
Administrative costs in excess of the cap	\$ (195,344)

On the ROPS 15-16B form, the Agency reported cash balances and activity for the period January 1 through December 31, 2015. Finance will perform a review of the Agency's self-reported cash balances on an ongoing basis. Please be prepared to submit financial records and bridging documents to support the cash balances reported upon request. If it is determined the Agency possesses cash balances that are available to pay approved obligations, HSC section 34177 (l) (1) (E) requires these balances be used prior to requesting RPTTF.

Please refer to the ROPS 15-16B schedule used to calculate the total RPTTF approved for distribution:

<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, 2016. This determination only applies to items when 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 ROPS periods. All items listed on a future ROPS are subject to review and may be denied even if it was not denied on this ROPS or a preceding ROPS. The only exception is for items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). Finance's review of Final and Conclusive items 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 available prior to the enactment of the redevelopment dissolution statutes. 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.

Please direct inquiries to Kylie Oltmann, Supervisor, or Zuber Tejani, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
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