



December 17, 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 November 6, 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 15-16B) to Finance on September 28, 2015, for the period of January 1 through June 30, 2016. Finance issued a ROPS determination letter on November 6, 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 November 16, 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. 21, 22, and 24 – Housing Administrative Costs totaling \$155,000. Finance continues to deny these items. During the Meet and Confer the Agency contended that these items are not related to housing administrative costs but are maintenance costs for three properties not transferred to the housing successor. Our review shows that these items are listed as Housing Successor Agency Owned Properties and costs listed for Successor Agency Properties are listed separately. HSC section 34176 (a) (1) states if a city, county, or city and county elects to retain the authority to perform housing functions previously performed by a RDA, all rights, powers, duties, obligations, and housing assets shall be transferred to the city, county, or city and county. Since the City of Compton assumed the housing functions, the administrative costs associated with these functions are the responsibility of the housing successor.

During the Meet and Confer the Agency provided a list of the Agency's property showing property maintenance costs totaling \$51,720 for June 2015 through May 2016 to support the costs for Items No. 21, 22, and 24. The list included properties listed on the Agency's Long Range Property Management Plan (LRPMP), properties approved for transfer to the housing successor, and properties that were approved for sale in 2013. Since the Agency's LRPMP has not yet been approved by Finance, the Agency is only permitted to receive property maintenance costs for the properties listed on the LRPMP

and only for the period of January through June 2016 totaling \$9,565. Maintenance costs for the other properties and July through December 2015 are not permitted for ROPS 15-16B. However, we note that Item No. 31 – Successor Agency Properties totaling \$10,000 was not denied in our original review. For these reasons, Item Nos. 21, 22, and 24 are not enforceable obligations and not eligible for Redevelopment Property Tax Trust Fund (RPTTF) Administrative funding on this ROPS.

- Administrative costs exceed the allowance by \$313,500. HSC section 34171 (b) (2) limits fiscal year 2015-16 administrative expenses to three percent of property tax allocated to the successor agency or \$250,000, whichever is greater. As a result, the Agency is eligible for \$250,000 in administrative expenses. The Los Angeles Auditor-Controller's Office distributed \$250,000 for the July through December 2015 period, thus leaving a balance of zero available for the January through June 2016 period. Although \$418,500 was claimed for administrative cost, Item Nos. 21, 22, and 24 totaling \$155,000 are denied and Item No. 50 for legal services in the amount of \$50,000 is considered an administrative expense and is added to the cap for a total adjustment of \$105,000. Therefore, \$313,500 of excess administrative cost is not allowed.

In addition, per Finance's letter dated November 6, 2015, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

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 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 that has been denied in whole or in part and the item that has been reclassified, Finance is not objecting to the remaining items listed on your ROPS 15-16B. The Agency's maximum approved RPTTF distribution for the reporting period is \$2,826,101 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	2,826,101
Total RPTTF requested for administrative obligations	418,500
Total RPTTF requested for obligations on ROPS 15-16B	\$ 3,244,601
Total RPTTF authorized for non-administrative obligations	\$ 2,826,101
Total RPTTF requested for administrative obligations	418,500
<u>Reclassified Item</u>	
Item No. 50	50,000
<u>Denied Items</u>	
Item No. 21	(40,000)
Item No. 22	(15,000)
Item No. 24	(100,000)
	(105,000)
Administrative costs in excess of the cap (see Admin Cost Cap table below)	(313,500)
Total RPTTF authorized for administrative obligations	\$ 0
Total RPTTF authorized for obligations	\$ 2,826,101
ROPS 14-15B prior period adjustment	0
Total RPTTF approved for distribution	\$ 2,826,101

Administrative Cost Cap Calculation	
Total RPTTF for 15-16A (July through December 2015)	5,403,970
Total RPTTF for 15-16B (January through June 2016)	2,826,101
Total RPTTF for fiscal year 2015-2016	8,230,071
Administrative cost cap for fiscal year 2015-16 (Greater of 3% of Total RPTTF or \$250,000)	250,000
Administrative allowance for ROPS 15-16A (July through December 2015)	(250,000)
Remaining administrative cost cap for ROPS 15-16B	0
ROPS 15-16B administrative obligations after Finance adjustments	(313,500)
Administrative costs in excess of the cap	\$ (313,500)

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 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