



October 22, 2015

Mr. Aldo E. Schindler, Director of Community Development  
City of Downey  
11111 Brookshire Avenue  
Downey, CA 90241

Dear Mr. Schindler:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m) (1) (A), the City of Downey 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 23, 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 determination:

- Item No. 21 – Unfunded pension liability totaling \$1,265,386 is partially allowed. Although this item is considered an enforceable obligation, Finance has determined that the repayment over a 21 year period does not comply with the spirit of HSC section 34177 (h) to expeditiously wind down the affairs of the Agency. A reasonable payment schedule for the \$1,265,386 in unfunded pension liabilities allocated over a period of five years results in ten bi-annual payments of \$126,539. Therefore, the requested amount of \$241,024 has been reduced by \$114,485. The remaining balance of \$1,138,847 should continue to be placed on future ROPS until the obligation is retired.

The administrative costs claimed are within the fiscal year administrative cap pursuant to HSC section 34171 (b) (2). However, Finance notes the oversight board has approved an amount that appears excessive given the number and nature of the obligations listed on the ROPS. HSC section 34179 (i) requires the oversight board to exercise a fiduciary duty to the taxing entities. Therefore, Finance encourages the oversight board to use adequate discretion when evaluating the administrative resources required to successfully wind-down the Agency.

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 Redevelopment Property Tax Trust Fund (RPTTF) approved in the table on the next page includes the prior period adjustment resulting from the CAC's review of the Agency's self-reported prior period adjustment.

Except for the item 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 \$397,905 as summarized in the Approved RPTTF Distribution table below:

<b>Approved RPTTF Distribution</b>	
<b>For the period of January through June 2016</b>	
Total RPTTF requested for non-administrative obligations	406,633
Total RPTTF requested for administrative obligations	125,000
<b>Total RPTTF requested for obligations on ROPS 15-16B</b>	<b>\$ 531,633</b>
<b>Total RPTTF requested for non-administrative obligations</b>	<b>406,633</b>
<u>Denied Item</u>	
Item No. 21	(114,485)
<b>Total RPTTF authorized for non-administrative obligations</b>	<b>\$ 292,148</b>
<b>Total RPTTF authorized for administrative obligations</b>	<b>\$ 125,000</b>
<b>Total RPTTF authorized for obligations</b>	<b>\$ 417,148</b>
ROPS 14-15B prior period adjustment	(19,243)
<b>Total RPTTF approved for distribution</b>	<b>\$ 397,905</b>

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 (I) (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. Edward Velasco, Housing Manager, City of Downey  
Ms. Kristina Burns, Manager, Department of Auditor-Controller, Los Angeles County