



December 17, 2015

Ms. Diane Perkin, Director of Administrative Services Department  
City of Lakewood  
5050 Clark Avenue  
Lakewood, CA 90712

Dear Ms. Perkin:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated October 8, 2015. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Lakewood Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 15-16B) to Finance on September 10, 2015, for the period of January 1 through June 30, 2016. Finance issued a ROPS determination letter on October 8, 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 10, 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 No. 30 – Unfunded pension liability totaling \$2,916,045. Originally, Finance adjusted this item as the unfunded retirement liabilities included \$1,768,058 of interest which we considered excessive and not allowed. Finance determined that the repayment over a 30 year period with interest did not comply with the spirit of HSC section 34177 (h) to expeditiously wind down the affairs of the Agency. Furthermore, we stated a reasonable payment schedule for the \$1,147,987 (\$2,916,045 - \$1,768,058) in unfunded pension liabilities allocated over a period of five years results in ten bi-annual payments of \$114,799, and therefore, the requested amount of \$97,202 should be increased by \$17,597 payable on this ROPS. Finally, we stated that the remaining balance of \$1,033,188 should continue to be placed on future ROPS until the obligation is retired.

During the Meet and Confer, the Agency contested our determination and requested that we consider two alternative payment schedules. After reviewing the two proposals put forth by the Agency, Finance now agrees to fully accelerate and make a one-time lump sum payment for all the Agency's remaining unfunded retirement liabilities. We note however, that the Agency had requested a lump sum of \$1,147,987, which included amounts owed for 2013. However, the RDA did not exist in 2013 and could not have incurred additional retirement liabilities during this year. Instead, Finance is approving

\$580,509 for this line item, an increase of \$483,307 from the originally request amount of \$97,202, which reflects the outstanding retirement liabilities as of 2012. Upon receipt of this funding, the funds should be sent to CalPERS and this item shall be considered retired and no future payments should be requested.

In addition, per Finance's letter dated October 8, 2015, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

- Item No. 26 – Litigation cost in the amount of \$30,000 in Redevelopment Property Tax Trust Fund (RPTTF) Non-Admin is not allowed. It is our understanding this item relates to contesting the validity of the dissolution law. Pursuant to HSC 34171 (d) (1) (F) (i), legal expenses contesting the validity of dissolution legislation shall only be payable out of the administrative cost allowance. Therefore, the requested amount of \$30,000 is considered an administrative cost and has been reclassified.
- Claimed administrative costs exceed the allowance by \$30,000. HSC section 34171 (b) 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 \$125,000 for the July through December 2015 period, thus leaving a balance of \$125,000 available for the January through June 2016 period. Although \$125,000 is claimed for administrative cost, Item No. 26 for litigation costs in the amount of \$30,000 is considered an administrative expense and should be counted toward the cap. Therefore, \$30,000 of excess administrative cost is not allowed.

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 item denied in whole or in part or 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 \$822,231 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	244,149
Total RPTTF requested for administrative obligations	125,000
<b>Total RPTTF requested for obligations on ROPS 15-16B</b>	<b>\$ 369,149</b>
RPTTF adjustment to non-administrative obligations	483,307
RPTTF adjustment to administrative obligations	0
<b>Total RPTTF adjustments</b>	<b>\$ 483,307</b>
<b>Total RPTTF requested for non-administrative obligations</b>	<b>727,456</b>
<u>Reclassified Item</u>	
Item No. 26	(30,000)
<b>Total RPTTF authorized for non-administrative obligations</b>	<b>\$ 697,456</b>
<b>Total RPTTF requested for administrative obligations</b>	<b>125,000</b>
<u>Reclassified Item</u>	
Item No. 26	30,000
Administrative costs in excess of the cap (see Admin Cost Cap table below)	(30,000)
<b>Total RPTTF authorized for administrative obligations</b>	<b>\$ 125,000</b>
<b>Total RPTTF authorized for obligations</b>	<b>\$ 822,456</b>
ROPS 14-15B prior period adjustment	(225)
<b>Total RPTTF approved for distribution</b>	<b>\$ 822,231</b>

<b>Administrative Cost Cap Calculation</b>	
Total RPTTF for 15-16A (July through December 2015)	2,692,068
Total RPTTF for 15-16B (January through June 2016)	231,746
<b>Total RPTTF for fiscal year 2015-2016</b>	<b>2,923,814</b>
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)	(125,000)
<b>Remaining administrative cost cap for ROPS 15-16B</b>	<b>125,000</b>
ROPS 15-16B administrative obligations after Finance adjustments	(155,000)
<b>Administrative costs in excess of the cap</b>	<b>\$ (30,000)</b>

On the ROPS 15-16B period, 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: Ms. Edianne Rodriguez, Senior Accountant, City of Lakewood  
Ms. Kristina Burns, Manager, Department of Auditor-Controller, Los Angeles County