



October 8, 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) (1) (A), the City of Rancho Palos Verdes 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 10, 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. 1 – 1997 Tax Increment Bond in the amount of \$111,875 is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding. It is our understanding the debt service payment for this item is paid by the County Auditor Controller (CAC) prior to RPTTF distribution. To avoid continual overpayment of RPTTF, the CAC contacted Finance on February 11, 2015 requesting us to reclassify \$111,875 to Other Funds. Therefore, this item is not eligible for RPTTF funding and will be reclassified to Other Funds.

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 (PPA)) associated with the January through June 2015 period (ROPS 14-15B). HSC section 34186 (a) also specifies the PPA self-reported by the Agency is subject to audit by the CAC and the State Controller. The amount of RPTTF approved in the table on the following page includes the PPA resulting from the CAC's review of the Agency's self-reported PPA.

The amount of RPTTF approved in the table on the following page also includes excess PPA of \$80,726. The current approved RPTTF is insufficient to allow for the PPA of \$104,668 to be fully expended during this ROPS period. The Agency should apply the remaining funds prior to requesting RPTTF on future ROPS.

In addition, Finance noted on the Agency's ROPS 14-15B prior period adjustment worksheet, the Agency's expenditure for Item No. 3 in the amount of \$36,458 exceeded Finance's authorization for Other Funds. Finance previously approved this line item with RPTTF funding.

Per HSC section 34177 (a) (3), only those payments listed on a ROPS may be made by the Agency from the funds specified on the ROPS up to the amount authorized by Finance. HSC sections 34177 (a) (4) and 34173 (h) (1) provide mechanisms when Agency payments must exceed the amounts authorized by Finance. Please ensure the proper expenditure authority is received from your oversight board and Finance prior to making payments on enforceable obligations.

Except for the item that has been reclassified, 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, 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 zero 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	135,817
Total RPTTF requested for administrative obligations	0
Total RPTTF requested for obligations on ROPS 15-16B	\$ 135,817
Total RPTTF requested for non-administrative obligations	135,817
<u>Reclassified Item</u>	
Item No. 1	(111,875)
Total RPTTF authorized for non-administrative obligations	\$ 23,942
Total RPTTF authorized for administrative obligations	\$ 0
Total RPTTF authorized for obligations	\$ 23,942
ROPS 14-15B prior period adjustment	(104,668)
Excess PPA	80,726
Total RPTTF approved for distribution	\$ 0

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. This amount is not now 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.

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

Sincerely,



JUSTYN HOWARD
Program Budget Manager

cc: Ms. Deborah Cullen, City Finance Director, City of Rancho Palos Verdes
Ms. Kristina Burns, Manager, Department of Auditor-Controller, Los Angeles County