



April 7, 2016

Ms. Amelia Soto, Project Manager
City of Carson
701 East Carson Street
Carson, CA 90745

Dear Ms. Soto:

Subject: 2016-17 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Carson Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule for the period July 1, 2016 through June 30, 2017 (ROPS 16-17) to the California Department of Finance (Finance) on January 27, 2016. Finance has completed its review of the ROPS 16-17.

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

- Item No. 10 – Tax Allocation Housing Bonds 2010, Series A-T in the amount of \$1,944,295 is approved. It is our understanding the Agency requested \$1,944,295 of which \$1,090,345 is from Reserve Balances and \$853,950 is from Redevelopment Property Tax Trust Fund (RPTTF). However, Finance determined the Agency possesses \$434,593 in Reserve Balances that are required to be used prior to RPTTF pursuant to HSC section 34177 (l) (1) (E). Therefore, Finance reclassified \$434,593 in RPTTF to Reserve Balances.

These funds became available as a result of Finance's determination that Item No.12 does not meet the definition of an enforceable obligation (refer to bullet below for details). Therefore, any RPTTF requested as a reserve on ROPS 15-16B to be applied as during ROPS 16-17 is not approved and the Agency should have \$434,593 in available Reserve Balances. Therefore, Finance is approving RPTTF in the amount of \$419,357 (\$853,950 - \$434,593) and the use of Reserve Balances in the amount of \$1,524,938 (\$1,090,345 + \$434,593) totaling \$1,944,295 for the ROPS 16-17 period.

- Item Nos. 12 and 104 – 2009 Lease Revenue Bond in the total outstanding amount of \$20,418,131 and \$2,705,797, respectively, are not enforceable obligations. Oversight Board Resolution No. 15-36 approving to refund the Carson Public Financing Authority's (Authority) 2009 Revenue Bonds (Authority Bonds) and amend the 2009 Installment Contract (Contract) was not approved in our determination letter dated February 26, 2016. It is our understanding the Contract was not entered into solely for the purpose of securing the Authority Bonds and therefore, does not qualify as an enforceable obligation under HSC section 34171 (d) (2).

Specifically, the Contract obligated the Agency to reimburse the City for (1) the City's base rental payments made to the Authority under a separate Facility Lease agreement between the City and the Authority and (2) an amount equal to the interest rate savings, also defined as "Additional Payments" in the Contract resulting from the issuance of the Authority Bonds rather than the issuance by the Agency of a subordinate series tax allocation bond.

Pursuant to HSC section 34171 (d) (2), written agreements between the City and the Agency are deemed enforceable if entered into (A) at the time of issuance of an indebtedness obligation and (B) *solely* for the purpose of securing or repaying the indebtedness obligation. Because the Contract contains the "Additional Payment" provisions, the Contract was not entered into *solely* for the purpose of securing or repaying the Authority's indebtedness obligation. Further, the Contract is between the former RDA, City, and the Authority and therefore, HSC section 34171 (d) (2) applies.

As a result, the Contract is not an enforceable obligation under dissolution statutes and the 2016-17 fiscal year amounts of \$982,075 (\$547,482 in RPTTF and \$434,593 in Reserve Balances) for Item No. 12 and \$133,133 in RPTTF for Item No. 104 are not eligible for funding.

- Claimed administrative costs exceed the allowance by \$18,734. HSC section 34171 (b) limits the fiscal year 2016-2017 administrative expenses to three percent of property tax allocated to the Agency or \$250,000, whichever is greater; not to exceed 50 percent of the distributed RPTTF in the preceding fiscal year. As a result, the Agency's maximum ACA is \$425,467 for the fiscal year 2016-17. Although \$444,201 is claimed for administrative cost, only \$425,467 is available pursuant to the cap. Therefore, \$18,734 of excess administrative cost is not allowed.

Except for the items denied in whole or in part, Finance is not objecting to the remaining items listed on your ROPS 16-17. If you disagree with Finance's determination with respect to any items on your ROPS 16-17, 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/

On the ROPS 16-17 form, the Agency reported cash balances and activity for the period of July 1, 2015 through June 30, 2016. Finance performs a review of the Agency's self-reported cash balances on an ongoing basis. 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 enforceable obligations, HSC section 34177 (l) (1) (E) requires these balances to be used prior to requesting RPTTF.

The Agency's maximum approved RPTTF distribution for the reporting period is \$23,200,839 as summarized in the Approved RPTTF Distribution Table on Page 4 (See Attachment).

ROPS distributions will occur twice annually, one distribution for the July 1, 2016 through December 31, 2016 (ROPS A period), and one distribution for the January 1, 2017 through June 30, 2017 (ROPS B period) based on Finance's approved amounts. Since Finance's

determination is for the entire ROPS 16-17 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

On the ROPS 16-17 form, the Agency was not required to report the estimated obligations versus actual payments (prior period adjustment) associated with the July 1, 2015 through December 31, 2015 period (ROPS 15-16A). The Agency will report actual payments for ROPS 15-16A and ROPS 15-16B on the ROPS 18-19 form pursuant to HSC section 34186 (a) (1). A prior period adjustment will be applied to the Agency's future RPTTF distribution. Therefore, the Agency should retain any difference in unexpended RPTTF.

Please refer to the ROPS 16-17 schedule used to calculate the total RPTTF approved for distribution:

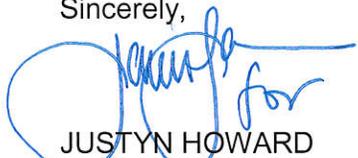
<http://www.dof.ca.gov/redevelopment/ROPS>

Absent a Meet and Confer, this is Finance's determination related to the enforceable obligations reported on your ROPS for the period July 1, 2016 through June 30, 2017. This determination only applies to items when funding was requested for the 12-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 Nicole Prisakar, Lead Analyst at (916) 445-1546.

Sincerely,


JUSTYN HOWARD
Program Budget Manager

cc: Mr. Daniel Zepeda, Accounting, City of Carson
Ms. Kristina Burns, Manager, Department of Auditor-Controller, Los Angeles County

Attachment

Approved RPTTF Distribution			
For the period of July 2016 through June 2017			
	ROPS A Period	ROPS B Period	Total
Requested RPTTF (excluding administrative obligations)	\$ 11,071,633	\$ 12,818,947	\$ 23,890,580
Requested Administrative RPTTF	222,101	222,100	444,201
Total RPTTF requested for obligations on ROPS 16-17	11,293,734	13,041,047	\$ 24,334,781
Total RPTTF Requested	11,071,633	12,818,947	23,890,580
<u>Denied Items</u>			
Item No. 12	(207,263)	(340,219)	(547,482)
Item No. 104	(42,015)	(91,118)	(133,133)
	(249,278)	(431,337)	(680,615)
<u>Reclassified Item</u>			
Item No. 10	(434,593)	0	(434,593)
Total RPTTF authorized	10,387,762	12,387,610	\$ 22,775,372
Total Administrative RPTTF requested	222,101	222,100	444,201
Administrative costs in excess of the cap (see Administrative Cost Allowance Cap table below)	0	(18,734)	(18,734)
Total Administrative RPTTF authorized	222,101	203,366	\$ 425,467
Total RPTTF approved for distribution	10,609,863	12,590,976	\$ 23,200,839

Administrative Cost Allowance Cap Calculation	
Actual RPTTF distributed for fiscal year 2015-16	\$ 14,626,439
Less sponsoring entity loan and Administrative RPTTF	444,201
Actual RPTTF distributed for 2015-16 after adjustment	14,182,238
Administrative Cap for 2016-17 per HSC section 34171 (b)	425,467
ROPS 16-17 Administrative RPTTF after Finance adjustments	444,201
Administrative Cost Allowance in excess of the cap	\$ (18,734)