

March 28, 2016

Mr. Steve Valenzuela, Chief Executive Officer & CFO
City of Los Angeles Designated Local Authority
448 S. Hill Street, 12/F
Los Angeles, CA 90013

Dear Mr. Valenzuela:

Subject: 2016-17 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Los Angeles Designated Local Authority 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 15, 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 Nos. 160 and 162 – Projects funded with \$1,000,120 in Bond Proceeds. The Agency received a Finding of Completion on September 10, 2013 and is allowed to expend bond proceeds derived from bonds issued prior to January 1, 2011 (pre-2011 bond proceeds) in a manner consistent with the bond covenants. Additionally, the Oversight Board previously approved OB Resolution No. 14-14 approving a Bond Expenditure Agreement for the use of excess non-housing bond proceeds on September 23, 2014. Our approval is specifically limited to the use of excess pre-2011 bond proceeds pursuant to HSC section 34191.4 (c) (1). Therefore, we have changed the Obligation Type reported for these items to “Bond Funded Project – Pre-2011.” Such approval, however, should not be construed as approval of the applicable projects themselves as enforceable obligations.
- Item No. 225 – The Agency requested the incorrect amount for asset pre-disposition costs. Per discussion with Agency staff and review of documentation provided, the \$384,500 requested for the ROPS 16-17 period should be \$126,288. As a result, the total ROPS 16-17 Redevelopment Property Tax Trust Fund (RPTTF) funding requested for enforceable obligations has been decreased by \$258,212.
- Item No. 286 – City loan repayment in the amount of \$100,000 for ROPS A period is not allowed. Pursuant to HSC section 34191.4 (b), loan agreements between the former redevelopment agency and sponsoring entity may be placed on the ROPS if the following requirements are met: (1) the Agency has received a Finding of Completion;

and (2) the Agency's Oversight Board approves the loan as an enforceable obligation by finding the loan was for legitimate redevelopment purposes.

The Agency received a Finding of Completion on September 10, 2013. However, the Agency has not submitted an Oversight Board action to Finance approving the loan is for legitimate redevelopment purposes. Therefore, this ROPS item is not eligible for funding at this time.

Except for the items denied or adjusted, 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:

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 \$77,889,554 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>

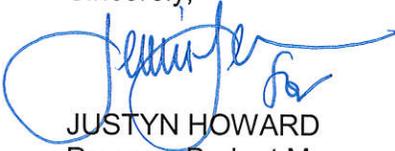
Absent a Meet and Confer, this is Finance's determination related to the enforceable obligations reported on your ROPS for the period July 1, 2016 through June 30, 2017. This determination only applies to items when funding was requested for the 12-month period. Finance's determination is effective for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

Sincerely,



JUSTYN HOWARD
Program Budget Manager

cc: Mr. De Dinh, Senior Accountant, City of Los Angeles Designated Local Authority
Ms. Kristina Burns, Manager, Department of Auditor-Controller, Los Angeles County

Attachment

Approved RPTTF Distribution			
For the period of July 2016 through June 2017			
	<u>ROPS A Period</u>	<u>ROPS B Period</u>	<u>Total</u>
Requested RPTTF (excluding administrative obligations)	\$ 17,638,301	\$ 60,609,465	\$ 78,247,766
Requested Administrative RPTTF	0	0	0
Total RPTTF requested for obligations on ROPS 16-17	17,638,301	60,609,465	\$ 78,247,766
Adjustment to Agency Requested RPTTF	(119,106)	(139,106)	(258,212)
Total RPTTF adjustments	(119,106)	(139,106)	\$ (258,212)
Total RPTTF Requested	17,519,195	60,470,359	77,989,554
<u>Denied Item</u>			
Item No. 286	(100,000)	0	(100,000)
Total RPTTF authorized	17,419,195	60,470,359	\$ 77,889,554
Total Administrative RPTTF authorized	0	0	\$ 0
Total RPTTF approved for distribution	17,419,195	60,470,359	\$ 77,889,554