



May 17, 2016

Mr. Steve Valenzuela, Chief Executive Officer and 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

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated March 28, 2016. 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 of July 1, 2016 through June 30, 2017 (ROPS 16-17) to Finance on January 15, 2016. Finance issued a ROPS determination letter on March 28, 2016. 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 April 28, 2016.

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 determination being disputed.

- Item No. 286 – City of Los Angeles loan repayment in the amount of \$100,000 for the ROPS 16-17 period. Finance no longer objects to this item. Finance previously denied this item because the Agency had not submitted an Oversight Board (OB) action to Finance finding that the loan was made for legitimate redevelopment purposes. Pursuant to HSC section 34191.4 (b), loan agreements between the former redevelopment agency (RDA) and sponsoring entity may be placed on the ROPS if the following requirements are met: (1) the Agency has received a Finding of Completion (FOC); and (2) the Agency's OB approves the loan as an enforceable obligation by finding the loan was for legitimate redevelopment purposes.

The Agency submitted Resolution No. OB 16-08 to Finance on May 12, 2016, finding the loan was for legitimate redevelopment purposes. Further, the Agency received an FOC on September 10, 2013. Based on our review of OB 16-08 as referenced in our May 17, 2016 letter, the requested amount of \$100,000 in Redevelopment Property Tax Trust Fund (RPTTF) for the ROPS 16-17 period is approved.

In addition, per Finance's letter dated March 28, 2016, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

- Item Nos. 160 and 162 – Projects funded with \$1,000,120 in Bond Proceeds. The Agency received an FOC 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 RPTTF funding requested for enforceable obligations has been decreased by \$258,212.

Except for the items denied or adjusted, Finance is not objecting to the remaining items listed on your ROPS 16-17.

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 \$77,989,554 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>

This is Finance's final 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 Evelyn Suess, Dispute Resolution Supervisor, or Michael Barr, 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
Total RPTTF authorized	17,519,195	60,470,359	\$ 77,989,554
Total Administrative RPTTF authorized	0	0	\$ 0
Total RPTTF approved for distribution	17,519,195	60,470,359	\$ 77,989,554