



May 26, 2012

Linda Mann, Principal Analyst
Economic Development Department
City of Carson
701 E Carson St.
Carson, CA 90745

Dear Ms. Mann:

Subject: Recognized Obligation Payment Schedule Approval Letter

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the City of Carson Successor Agency submitted Recognized Obligation Payment Schedules (ROPS) to the California Department of Finance (Finance) on May 14, 2012 for periods January to June 2012 and July to December 2012. Finance is assuming oversight board approval. Finance has completed its review of your ROPS, which included obtaining clarification for various items.

Finance is approving the items listed in your ROPS except for the following:

January through June 2012 Period

- Page 1, item no. 19, and page 2, item no. 7 - in the amount of \$9.7 million are for projects that have no signed expenditure contracts or have contracts signed after the June 27, 2011 deadline. HSC section 34163(b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011.
- Page 1, items 16 and 17, and page 6, item no. 4 - in the amount of \$42.5 million. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city, county, or city and county that created the redevelopment agency and the former redevelopment agency are not enforceable obligations.
- Page 1, item no. 15 state there is a contract between the City and Caltrans – in the amount of \$17.4 million. No documentation was provided to support that this is an enforceable obligation of the RDA.
- Page 1, item no. 18 – in the amount of \$20 million for a pending legal settlement. HSC section 34171 (d) outlines characteristic of enforceable obligations and does not recognize reserves set aside as enforceable obligations other than bond indebtedness. Therefore, the \$20 million reserve is not enforceable. The statute does not currently recognize contingent or unknown obligations, thus creation of reserves for such things through a Recognized Obligation Payment Schedule is not permitted.
- Page 2, line item 38 - in the amount of \$2.8 million. The requirement to set aside 20 percent of RDA tax increment for low and moderate income housing purposes ended with the passing of the redevelopment dissolution legislation. HSC section 34177 (d) requires that all unencumbered balances in the Low and

Moderate Income Housing Fund be remitted to the county auditor controller for distribution to the taxing entities.

July through December 2012 Period

- o Page 1, items no. 1 – 7 and 9 – in the amount of \$9.8 million. HSC section 34171 (d) (1) (A) states that enforceable obligation means bonds, including the required debt service, reserve set-asides, and any other payments required under the indenture or similar documents governing the issuance of the outstanding bonds. It is our understanding that these reserves are not required under the terms of the bond indenture.
- o Page 2, item no. 2 and 8 - in the amount of \$9.9 million are for projects that have no signed expenditure contracts or have contracts signed after the June 27, 2011 deadline. HSC section 34163(b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011.
- o Page 1, item no. 13 is a contract between the City and Caltrans – in the amount of \$17.4 million. No documentation was provided to support that this is an enforceable obligation of the RDA.
- o Page 1, items 14 and 15, and page 6, item no. 1 - in the amount of \$36.5 million. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city, county, or city and county that created the redevelopment agency and the former redevelopment agency are not enforceable obligations.
- o Page 1, item no. 20 – in the amount of \$20 million for a pending legal settlement. HSC section 34171 (d) outlines characteristic of enforceable obligations and does not recognize reserves set aside as enforceable obligations other than bond indebtedness. Therefore, the \$20 million reserve is not enforceable. The statute does not currently recognize contingent or unknown obligations, thus creation of reserves for such things through a Recognized Obligation Payment Schedule is not permitted.

This is our determination with respect to any items funded from the Redevelopment Property Tax Trust Fund for the June 1, 2012 property tax allocations. If your oversight board disagrees with our determination with respect to any items not funded with property tax, any future resolution of the disputed issue may be accommodated by amending the ROPS for the appropriate time period. Items not questioned during this review are subject to a subsequent review, if they are included on a future ROPS. If an item included on a future ROPS is not an enforceable obligation, Finance reserves the right to remove that item from the future ROPS, even if it was not removed from the preceding ROPS.

Please refer to Exhibit 12 at http://www.dof.ca.gov/assembly_bills_26-27/view.php for the amount of Redevelopment Property Tax Trust Fund (RPTTF) that was approved by Finance based on the schedule submitted.

As you are aware the amount of available RPTTF is the same as the property tax increment that was available prior to ABx1 26. This amount is not 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 in the RPTTF.

Ms. Mann
May 26, 2012
Page 3

Please direct inquiries to Robert Scott, Supervisor or Derk Symons, Lead Analyst at (916) 322-2985.

Sincerely,

A handwritten signature in cursive script that reads "Mark Hill".

MARK HILL
Program Budget Manager

cc: Ms. Kristina Burns, Program Specialist III, County of Los Angeles