



October 14, 2012

Ms. Linda Mann, Principal Administrative Analyst
City of Carson
701 E. Carson St.
Carson, CA 90745

Dear Ms. Mann:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the Carson Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on August 30, 2012 for the period of January through June 2013. Finance has completed its review of your ROPS III, which may have included obtaining clarification for various items.

HSC section 34171 (d) defines enforceable obligations. Based on a sample of line items reviewed and application of the law, the following do not qualify as enforceable obligations:

- Item No. 13 – Cooperative agreement between the City and Agency in the amount of \$3.5 million. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city that created the RDA and the former RDA are not enforceable obligations. Therefore, this item is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.
- Item No. 17 and 18 – Pass-through payments totaling \$1.8 million. Per HSC section 34183 (a) (1), the county auditor-controller will make the required pass-through payments starting with the July through December 2012 ROPS. Therefore, these items are not enforceable obligations and not eligible for RPTTF funding.
- Item No. 20 – BEDI Site Legal Settlement in the amount of \$20 million. Although no funding is requested in the current ROPS, the lawsuit remains pending and the legal settlement amount has not been determined. HSC section 34171 (d) does not recognize contingent or unknown obligations, thus creation of reserves for a pending legal settlement through a Recognized Obligations Payment Schedule is not permitted. Therefore, this item is not an enforceable obligation and not eligible for RPTTF funding.
- Items No. 24 and 91 through 102 – Housing administrative costs totaling \$2.2 million. HSC section 34176 (a) (1) states if a city, county, or city and county elects to retain the authority to perform housing functions previously performed by a RDA, all rights, powers, duties, obligations, and housing assets shall be transferred to the city, county, or city and county. Since the Carson Housing Authority assumed the housing functions, the

administrative costs associated with these functions are the responsibility of the housing successor. Therefore, these items are not enforceable obligations and not eligible for funding.

- Item No. 34 – Reimbursement for off-site improvements in the amount of \$20 million. The agreement dated September 1, 2006 is between the City and Carson Marketplace and the Agency is not a party to the agreement. Therefore, this line item is not an enforceable obligation and not eligible for RPTTF funding.
- Item No. 53 and 89 – Affordable housing projects in the amount totaling \$18.4 million. It is our understanding that contracts are not in place for these line items. HSC section 34163 (b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011. Therefore, these items are not enforceable obligations and not eligible for funding. To the extent bond funding are the anticipated funding source for these projects, upon receiving a Finding of Completion from Finance, these items may become enforceable pursuant to HSC section 34191.4 (c). Until then they are not enforceable obligations and not authorized for payment.
- Item No. 56, 58 and 60 – Bond funded projects totaling \$33.5 million. For Items No. 56 and 58 the documentation provided does not support the obligation listed on this ROPS. For Item No. 60, the cooperative agreement is between the City and the Department of Transportation and the Agency is not a party to the agreement. Therefore, these items are not enforceable obligations. Upon receiving a Finding of Completion from Finance, these items may become enforceable pursuant to HSC section 34191.4 (c). Until then, they are not authorized for payment.
- Item No. 64 – Construction contract in the amount of \$10 million. It is our understanding that contracts for this line item were awarded on December 5, 2011. HSC section 34163 (b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011. Therefore, this item is not an enforceable obligation. Upon receiving a Finding of Completion from Finance, these items may become enforceable pursuant to HSC section 34191.4 (c). Until then, they are not authorized for payment.
- Item No. 90 – Housing projects in the amount of \$3.3 million. According to the Agency, this item was entered on ROPS III in error. Therefore this item is not an enforceable obligation and not eligible for funding.
- Administrative costs claimed exceed the allowance by \$79,182. HSC section 34171 (b) limits administrative costs for fiscal year 2012-13 to three percent of property tax allocated to the successor agency or \$250,000, whichever is greater. As a result, the Agency is eligible for \$527,295. The Los Angeles Auditor Controller's Office distributed \$154,448 of administrative costs for the July through December 2012 period, leaving \$372,847 available for ROPS III. Although \$404,490 is claimed for administrative costs, items 27, 38, 39, and 42 through 51 totaling \$47,538 are considered administrative expenses and should be counted toward the cap. Therefore, \$79,182 of excess administrative cost is not allowed.

Except for items denied in whole or in part as enforceable obligations as noted above, Finance is approving the remaining items listed in your ROPS III. If you disagree with the determination with respect to any items on your ROPS III, 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: \$12,801,077 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2013	
Total RPTTF funding requested for obligations	\$ 14,692,711
Less: Six-month total for item(s) denied or reclassified as administrative cost	
Item 13	187,868
Item 17	881,415
Item 18	900,000
Item 20	0
Item 24	247,660
Item 27*	25,000
Item 34	0
Item 38*	4,363
Item 39*	5,875
Item 42*	1,400
Item 43*	2,300
Item 44*	1,000
Item 45*	3,000
Item 46*	100
Item 48*	0
Item 49*	3,000
Item 50*	500
Item 51*	1,000
Total approved RPTTF for enforceable obligations	\$ 12,428,230
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	372,847
Total RPTTF approved:	\$ 12,801,077

* Reclassified as administrative cost

Administrative Cost Calculation	
Total RPTTF for the period July through December 2012	\$ 5,148,258
Total RPTTF for the period January through June 2013	12,428,230
Total RPTTF for fiscal year 2012-13:	\$ 17,576,488
Allowable administrative cost for fiscal year 2012-13 (Greater of 3% or \$250,000)	527,295
Administrative allowance for the period of July through December 2012	154,448
Allowable RPTTF distribution for administrative cost for ROPS III:	\$ 372,847

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS III form the estimated obligations and actual payments associated with the January through June 2012 period. The amount of RPTTF approved in the above table will be adjusted by the county auditor-controller to account for differences between actual payments and past

estimated obligations. Additionally, these estimates and accounts are subject to audit by the county auditor-controller and the State Controller.

Please refer to the ROPS III schedule that was used to calculate the approved RPTTF amount:

[http://www.dof.ca.gov/redevelopment/ROPS/ROPS III Forms by Successor Agency/](http://www.dof.ca.gov/redevelopment/ROPS/ROPS%20III%20Forms%20by%20Successor%20Agency/).

All items listed on a future ROPS are subject to a subsequent review. An item included on a future ROPS may be denied even if it was not questioned from the preceding ROPS.

The amount available from the RPTTF is the same as the property tax increment that was available prior to enactment of ABx1 26 and AB 1484. 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 to the successor agency in the RPTTF.

Please direct inquiries to Kylie Le, Supervisor or Michael Barr, Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Ms. Denise Marrufo, Project Analyst, Carson Successor Agency
Ms. Kristina Burns, Program Specialist III, Los Angeles County