



December 18, 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

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated October 14, 2012. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of 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 1 through June 30, 2013. Finance issued its determination related to those enforceable obligations on October 14, 2012. Subsequently, the Agency requested a Meet and Confer session on one or more of the items denied by Finance. The Meet and Confer session was held on November 20, 2012.

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 items being disputed.

- Item No. 13 – Cooperative Agreement between the City and Agency in the amount of \$3.5 million. Finance continues to deny the item at this time. The Agency indicates that the Cooperative agreement between the City and the former RDA was entered into to "memorialize that the RDA would make bond debt service payments to the Carson Public Financing Authority, as part of the RDA's obligated \$69 million assistance towards the environmental remediation of the 157-acre Boulevards." However, the Cooperative Agreement provided to Finance was entered into in 2003, which is not at the time of issuance (2009 Lease Revenue Bonds) and the Cooperative Agreement is not solely for the purpose of repaying the indebtedness obligation. HSC section 34171 (d) (2) states that written agreements entered into at the time of issuance, but in no event later than December 31, 2010, of indebtedness obligations, and solely for the purpose of securing or repaying those indebtedness obligations may be deemed enforceable obligations. To the extent the Agency can provide a complete copy of the bond indenture, the official statement, and a reimbursement agreement that was entered into at the time of issuance and solely for the purpose of repaying the indebtedness obligation, the Agency may list this item on future ROPS for reconsideration. Finance has not issued a Finding of Completion to the Agency; therefore, the provisions of HSC section 34171 apply. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between

the city, county, or city and county that created the RDA and the former RDA are not enforceable obligations. Therefore, the item is currently not an enforceable obligation.

- Item No. 20 – BEDI Site Legal Settlement in the amount of \$20 million. Finance continues to deny the item at this time. 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 ROPS is not permitted. Therefore, this item is not an enforceable obligation and not eligible for RPTTF funding. The Agency should list this potential future liability in the notes section of the ROPS form.
- Item No. 34 – Reimbursement for off-site improvements in the amount of \$20 million. No funding was requested for the upcoming period. Finance continues to deny the agreement at this time. Finance was provided with an Owner Participation Agreement dated September 1, 2006, between the former RDA and Carson Marketplace. However, the agreement provided to Finance was not a full copy of the executed agreement. As such, it is not possible for us to determine if this is an enforceable obligation of the Agency. A second development agreement dated March 21, 2006, was also furnished by the Agency that is between the City of Carson and Carson Marketplace. The former RDA is not a party to that agreement. To the extent the Agency can furnish a complete copy of the September 1, 2006 Owner Participation Agreement, including all attachments and subsequent amendments, the Agency can relist the item on the next ROPS for reconsideration. Until then, this item is denied.
- Item No. 53 and 89 – Affordable housing projects in the amount totaling \$18.4 million. Finance continues to deny the items at this time. It is our understanding that contracts are not in place for these line items. HSC section 34163 (b) prohibits a RDA from entering into a contract with any entity after June 27, 2011. Therefore, these items are currently not enforceable obligations and not eligible for funding. However, successor agencies will be eligible to expend bonds issued prior to January 1, 2011, once a finding of completion is received per 34191.4 (c). Those obligations should be reported on a subsequent ROPS.
- Item No. 56, 58 and 60 – Bond funded projects totaling \$33.5 million. Finance continues to deny the items at this time. For Items 56 and 58 the documentation provided does not support the obligation listed on this ROPS. For Item 60, the cooperative agreement is between the City and the Department of Transportation; the former RDA is not a party to the agreement. Additionally, Finance cannot approve items that are contingent on other factors that may or may not occur. Therefore, these items are currently not enforceable obligations at this time. However, successor agencies will be eligible to expend bonds issued prior to January 1, 2011, once a finding of completion is received per 34191.4 (c). Those obligations should be reported on a subsequent ROPS.
- Item No. 64 – Construction contract in the amount of \$10 million. Finance continues to deny the item at this time. It is our understanding that contracts for this line item were awarded on December 5, 2011. HSC section 34163 (b) prohibits a RDA from entering into a contract with any entity after June 27, 2011. Therefore, this item is currently not an enforceable obligation. However, successor agencies will be eligible to expend

bonds issued prior to January 1, 2011, once a finding of completion is received per 34191.4 (c). Those obligations should be reported on a subsequent ROPS.

- 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 continue to be reclassified and are considered administrative expenses and should be counted toward the cap. Finance maintains that these items be reclassified as they do not fall into any of the following categories that are specifically excluded from the administrative cap as defined by HSC section 34171 (b):
 - Any litigation expenses related to assets or obligations.
 - Settlements and judgments.
 - The costs of maintaining assets prior to disposition.
 - Employee costs associated with work on specific project implementation activities, including, but not limited to, construction inspection, project management, or actual construction, shall be considered project-specific costs.

For Item 51, the Agency contends the item is an enforceable obligation because it is related to maintaining the properties. However, no additional documentation was provided, such as a list of properties to be maintained, contracts in place, or estimates from prior expenditures to support the amount requested. Therefore, the item has been reclassified as an administrative cost.

In addition, per Finance's determination letter dated October 14, 2012, the following items not being disputed by the Agency continue to be denied:

- 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.
- 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. 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.

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.

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.

Except for items disallowed as noted above, Finance is not objecting to the remaining items listed in your ROPS III. Obligations deemed not to be enforceable shall be removed from your ROPS. This is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2013. Finance's determination is effective for this time period only and should not be conclusively relied upon for future periods. All items listed on a future ROPS are subject to a subsequent review and may be denied even if it was or was not questioned on this ROPS or a preceding ROPS.

Please direct inquiries to Evelyn Suess, Dispute Resolution Supervisor, or Danielle Brandon, 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
California State Controller's Office