DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR
915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

October 19, 2012

Mr. Vilko Domic, Director of Finance
City of Commerce
2535 Commerce Way
Commerce, CA 90040

Dear Mr. Domic:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Commerce Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on September 4, 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 obligation(s):

- Item No. 2, 3, 30, 42, 43 and 44 – City loans totaling $17.8 million. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city that created the redevelopment agency (RDA) and the former RDA are not enforceable, unless issued within two years of the Agency's creation date or for issuance of indebtedness to third-party investor or bondholders. The Agency was established in 1974; therefore, these loans are not enforceable obligations at this time. Upon receiving a finding of Completion from Finance, HSC section 34191.4 (b) may cause these items to be enforceable in future ROPS periods.

- Item No. 12, 25, 37 and 53 – Although enforceable, legal services totaling $77,500 are considered general administrative expenses and have been reclassified.

- Item No. 13, 14, 15, 22, 27, 28, 38, 39, 40, 51, 54, 55, 56, 58 and 59 – Projects totaling $28.9 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 line items are not enforceable obligations and not eligible for funding on this ROPS. To the extent bond proceeds 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 57 – Environmental cleanup costs in the amount of $1.3 million. It is our understanding a Disposition and Development Agreement (DDA) dated March 2008 between the Agency and Costco Wholesale Corporation states the Agency is obligated to remove or remediate hazardous substances affecting the parcel at a cost not to exceed $400,000. While this agreement is an enforceable obligation, the total outstanding obligation amount reported on this ROPS period does not agree with the $400,000 remediation cap listed in the DDA.

Except for item(s) denied in whole or in part as enforceable obligation(s) 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 Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is: $4,682,854 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2013		
Total RPTTF funding requested for obligations	$	5,530,482
Less: Six-month total for item(s) denied or reclassified* as administrative cost		
Item 2*		0
Item 3*		0
Item 12**		45,000
Item 13		70,000
Item 14		25,000
Item 15		150,000
Item 25**		7,500
Item 27		62,250
Item 28		150,000
Item 30*		0
Item 37**		10,000
Item 38		150,000
Item 39		120,000
Item 40		30,000
Item 42*		0
Item 43*		0
Item 44*		0
Item 53**		15,000
Item 55		62,250
Item 56		100,000
Item 58		100,000
Item 59		50,000
Total approved RPTTF for enforceable obligations	$	4,383,482
Plus: Allowable RPTTF distribution for administrative cost for ROPS III		299,372
Total RPTTF approved:	$	4,682,854

*No payment requested for the reporting period

** Reclassified as administrative cost

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/.

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: Mr. Josh Brooks, Assistant Finance Director
Ms. Kristina Burns, Manager, Los Angeles County Auditor-Controller's Office