



December 18, 2012

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

Dear Mr. Domic:

Subject: Recognized Obligation Payment Schedule

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated October 19, 2012. 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 1 through June 30, 2013. Finance issued its determination related to those enforceable obligations on October 19, 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 6, 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.

- Items Nos. 12, 25, 37, and 53 – legal services totaling \$77,500. Finance continues to reclassify these items as administrative costs. The Agency contends the items are enforceable obligations because they retained the former redevelopment (RDA) Bond Counsel with respect to certain legal, financial matters, and rating agency concerns which have arisen in connection with a 2007 Revenue Bond. However, Costs associated with bonds are enforceable obligations; therefore, the item is an enforceable obligation. However, the items 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.
- Items Nos. 38 and 54 – Projects totaling \$3.7 million. Finance continues to deny this item. Finance denied the items as 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. The Agency contends the items are enforceable obligations because the City may lose grant funding already allocated for this project if funding is not approved and the City grants require a local match with the City providing \$3.5 million and the former RDA providing \$4 million. The documents provided by the Agency show the City was authorized and entered into multiple agreements to provide the funding and not the RDA. In addition, although the former RDA Commission approved RDA funds to the project in their Capital Improvement Budget in fiscal year 2009-10, the Agency did not demonstrate a commitment of RDA funds. Since the former RDA is neither a party to the agreements nor responsible for payment, these items are not enforceable obligations. Therefore, the items are not enforceable obligations.

In addition, per Finance's ROPS letter dated October 19, 2012, the following items not disputed by the Agency continue to be denied:

- Items Nos. 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.
- Items Nos. 13, 14, 15, 22, 27, 28, 39, 40, 51, 55, 56, 58 and 59 – Projects totaling \$25.2 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.

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is: \$4,682,854 as summarized below:

<b>Approved RPTTF Distribution Amount</b>	
<b>For the period of January through June 2013</b>	
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
<b>Total RPTTF approved:</b>	<b>\$ 4,682,854</b>

\*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.

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

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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 Sues, Dispute Resolution Supervisor, or Mary Halterman, 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  
California State Controller's Office