



December 18, 2012

Ms. Diane Perkin, Director of Administrative Services Department
City of Lakewood
5050 Clark Avenue
Lakewood, CA 90712

Dear Ms. Perkin:

Subject: Recognized Obligation Payment Schedule

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated November 9, 2012. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Lakewood Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on August 24, 2012 for the period of January 1 through June 30, 2013. Finance issued its determination related to those enforceable obligations on November 9, 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 28, 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. 8 - City Advance in the amount of \$2.1 million. Finance continues to partially deny the item. The Agency was created in 1972. 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 RDA's creation date or for issuance of indebtedness to third-party investors or bondholders. While the cooperation agreement provided was within the first two years of the creation of the RDA, there was no loan repayment schedule or terms provided that was approved during the issuance of the advance. In fact, the amendment to the agreement indicates that the repayment should have occurred over a ten year period and shall be made in equal payments. However, no interest rate was listed or approved. This would indicate that the advance should have been repaid no later than 1984 utilizing ten equal payments of \$38,200. The Agency indicates that no repayments occurred because there was insufficient funding. However, no documentation was provided that demonstrates this fact or approved the deferral of the repayments and no documentation was provided showing the terms were amended in subsequent years. Additionally, the repayment schedule provided by the Agency shows no principal being repaid over a period of time and merely calculates interest from the inception of the advance. As such, this appears to be a request for a lump sum amount that would violate the conditions that payments be made over a ten year period as outlined in the

amendment. Because the repayment is supposed to occur over a period of time in equal payments, the lump sum amount and interest requested is not approved. Nevertheless, the advance was made within the first two years and Finance is approving \$38,200, which represents the first payment of principal within a ten year payment schedule as provided for in the amendment.

- Item No. 9 – Low and Moderate Income Housing Fund Deferred Payment in the amount of \$1.1 million. Finance continues to deny this item at this time. While HSC 34171 (d) (g) provides that deferral payments to the low and moderate income housing fund can be an enforceable obligation, any payments related to the deferrals shall not be made until the 2013-14 fiscal year pursuant to 34176 (e) (6) (A) and (B). Therefore, this item is not an enforceable obligation at this time.

In addition, per Finance’s determination letter dated November 9, 2012, the following items were not disputed by the Agency and continue to be denied:

- Item No. 20 – ERAF loan repayment in the amount of \$90,492. HSC section 34176 (e) (6) (B) states that loan or deferral repayments shall not be made prior to the 2013-14 fiscal year. Therefore, this line item is not an enforceable obligation and will not be eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding at this time.
- Item No. 1 – County of Los Angeles administrative costs totaling \$2.3 million. The county auditor-controller will deduct their administrative costs prior to making a distribution from the RPTTF for approved ROPS expenditures. Therefore, requesting funding for these purposes is unnecessary.
- Items Nos. 12 and 15 – Although enforceable, the types of services requested totaling \$28,665 are considered general administrative costs and have been reclassified.

The Agency’s maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is: \$1,120,989 as summarized below:

Approved RPTTF Distribution Amount	
For the period of January through June 2013	
Total RPTTF funding requested for obligations	\$ 4,333,011
Less: Six-month total for item(s) denied or reclassified as administrative cost	
Item 1	75,500
Item 8	2,085,720
Item 9	1,085,310
Item 12*	7,700
Item 15*	20,965
Item 20	90,492
Total approved RPTTF for enforceable obligations	\$ 967,324
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	153,665
Total RPTTF approved:	\$ 1,120,989

*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 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. Edianne Sapinosa, Senior Accountant, City of Lakewood
Ms. Kristina Burns, Manager, Los Angeles County Department of Auditor-Controller
California State Controller's Office