



November 21, 2012

Ms. Lorry Hempe
Public Works Special Projects Manager
City of Lynwood
11330 Bullis Road
Lynwood, CA 90262

Dear Ms.Hempe:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Lynwood (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on September 29, 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. 7, 54, 85, and 87 – Loans and agreements with the City of Lynwood totaling \$8.4 million are contracts between the City and the redevelopment agency. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city, county, or city and county that created the redevelopment agency (RDA) and the former RDA are not enforceable obligations. 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. 15, 15a, 25a, 27, 27b, 27c, 27d, 27e, 87a, and 96 – Rental subsidy, staffing, affordable housing units, and preparation of the Housing Assets Transfer Report totaling \$1.5 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 redevelopment agency, all rights, powers, duties, obligations and housing assets shall be transferred to the city, county, or city and county. Since the City assumed the housing functions, the administrative costs associated with these functions are the responsibility of the housing successor. Therefore, these line items are not enforceable obligations and not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.

- Item No. 19a, 19b1, 19b2, 19d1, 19d2, 20, 22a – Settlement Agreement totaling \$22.4 million between Rogel v. LRA. The documents provided were insufficient to confirm the total outstanding debt that was requested. Therefore, we were unable to ascertain if the funding requested is reasonable or necessary. Therefore, these items are not eligible for funding at this time.
- Item No. 24, 24a, and 24b – Disposition and Development Agreement (DDA) between the Lynwood RDA and the Developer, AMCAL Park Place Fund totaling \$2.8 million. The Agency Note, Deed of Trust, Regulatory Agreement and Declaration of Covenants and Restrictions, and Grant deed are not executed. Therefore, these items are not enforceable obligations and not eligible for RPTTF funding.
- Item No. 26 and 26a – DDA between Lynwood RDA and Casa Grande Development totaling \$7.6 million. It is not clear from the documents provided that the RDA is obligated to pay these expenses. In addition, the DDA specified the RDA shall not be obligated to pay more than \$5.8 million to purchase the sales parcels, however, the Agency is requesting \$7.6 million. Therefore, these items are not enforceable obligations and not eligible for RPTTF funding.
- Item No. 57 – Unused bond proceeds totaling \$21.6 million. It is our understanding binding contracts obligating these proceeds have not been executed. 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.
- Administrative costs claimed exceed the allowance by \$501,550. Several items listed in the ROPS were administrative in nature and have been reclassified. Refer to the table below to identify items that have reclassified and counted toward the administrative cap. HSC section 34171 (b) limits fiscal year 2012-13 administrative expenses 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 \$250,000 in administrative expenses. The Los Angeles Auditor Controller's Office did not distribute administrative costs for the July through December 2012 period, thus leaving a balance of \$250,000 available for the January through June 2013 period.

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 RPTTF distribution for the reporting period is \$3,034,262 as summarized below:

| Approved RPTTF Distribution Amount | |
|---|---------------------|
| For the period of January through June 2013 | |
| Total RPTTF funding requested for obligations | \$ 11,658,511 |
| Less: Six-month total for item(s) denied or reclassified as administrative cost | |
| Item 7 | 96,200 |
| Item 9* | 10,000 |
| Item 14* | 30,000 |
| Item 15 | 23,010 |
| Item 15a | 27,156 |
| Item 17* | 84,200 |
| Item 19b2^ | 2,752,180 |
| Item 19d2^ | 2,750,000 |
| Item 20 | 25,000 |
| Item 22a | 246,340 |
| Item 24a | 215,309 |
| Item 25a | 25,000 |
| Item 26 | 1,000,000 |
| Item 26a | 159,220 |
| Item 27 | 69,391 |
| Item 27b | 2,000 |
| Item 27c | 1,000 |
| Item 27e | 2,000 |
| Item 42* | 145,000 |
| Item 49* | 0 |
| Item 50* | 24,650 |
| Item 52* | 6,000 |
| Item 54 | 344,881 |
| Item 56* | 80,000 |
| Item 58* | 10,000 |
| Item 62* | 1,300 |
| Item 63* | 5,000 |
| Item 66* | 900 |
| Item 69* | 500 |
| Item 81* | 5,000 |
| Item 87 | 623,012 |
| Item 87a | 5,000 |
| Item 92* | 45,000 |
| Item 96 | 6,000 |
| Item 97* | 54,000 |
| Total approved RPTTF for enforceable obligations | \$ 2,784,262 |
| Plus: Allowable RPTTF distribution for administrative cost for ROPS III | 250,000 |
| Total RPTTF approved: | \$ 3,034,262 |

* Reclassify to administrative cost.

^ Equals RPTTF portion of total cost.

| Administrative Cost Calculation | |
|--|------------------|
| Total RPTTF for the period July through December 2012 | \$ 2,411,902 |
| Total RPTTF for the period January through June 2013 | 2,784,262 |
| Total RPTTF for fiscal year 2012-13: \$ | 5,196,164 |
| Allowable administrative cost for fiscal year 2012-13 (Greater of 3% or \$250,000) | 250,000 |
| Administrative allowance for the period of July through December 2012 | 0 |
| Allowable RPTTF distribution for administrative cost for ROPS III: \$ | 250,000 |

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:

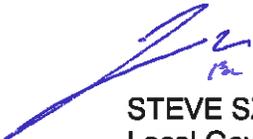
[http://www.dof.ca.gov/redevelopment/ROPS/ROPS III Forms by Successor Agency/](http://www.dof.ca.gov/redevelopment/ROPS/ROPS%III%Forms%by%Successor%Agency/).

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: Ms. Sarah Withers, Director of Community Development, City of Lynwood
Ms. Kristina Burns, Manager, Los Angeles County Auditor-Controller's Office
California State Controller's Office