



April 13, 2013

Ms. Linda Mann, Principal Administrative Analyst  
Carson Successor Agency  
701 East Carson Street  
Carson, CA 90745

Dear Ms. Mann:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the Carson Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14A) to the California Department of Finance (Finance) on February 27, 2013 for the period of July through December 2013. Finance has completed its review of your ROPS 13-14A, 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. 59 – Sheriff Station project improvement in the amount of \$2.5 million is not an obligation of the Agency. These contracts are between the County of Los Angeles and the City of Carson and the former RDA is not a party to the contract. Therefore, this line item is not an enforceable obligation and not eligible for funding with bond proceeds.
- Item No. 111 – Unfunded accrued pension liability in the amount of \$1.6 million. The Agency requested \$1.6 million of unfunded pension liability on this ROPS. Although this item is considered an enforceable obligation, Finance has determined that the amount requested is excessive for a single ROPS period. A reasonable payment schedule for this \$1.6 million in unfunded pension liability allocated over five years results in ten bi-annual payments of \$159,022 and will cause the least amount of disruption to the taxing entities. Therefore, \$159,022 of unfunded pension obligation is an enforceable obligation payable on ROPS 13-14A. The remaining balance of \$1,431,195 should continue to be placed on future ROPS until the obligation is retired.
- Item No. 122 – Contract services for the Carson St. Master Plan in the amount of \$194,829. This is a duplicate of Item No. 57. Since bond funding is approved for Item No. 57, Item No. 122 is not eligible for bond funding.

- Items No. 124 and 127 – Bond funded projects totaling \$17.1 million. It is our understanding that contracts for these line items were awarded after June 27, 2011. HSC section 34163 (b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011.
- Claimed administrative costs exceed the allowance by \$393,728. HSC section 34171 (b) limits the fiscal year 2013-14 administrative expense to three percent of property tax allocated to the Agency or \$250,000, whichever is greater. As a result the Agency is eligible for \$430,393 for administrative expenses. Although \$567,009 is claimed for administrative costs, item numbers 22, 27, 28, 82, 42 through 47 and 50 totaling \$257,112 are considered general administrative expenses and should be counted toward the cap. Therefore, \$393,728 of excess administrative cost is not allowed.

For the items denied above where the Agency has requested bond proceeds as the funding source, HSC section 34191.4 (c) may allow these projects to be funded once the Agency receives a Finding of Completion from Finance if the bond proceeds in question were issued prior to January 1, 2011.

Except for items denied in whole or in part as enforceable obligations Finance is not objecting to the remaining items listed on your ROPS 13-14A. This determination applies only to items where funding was requested for the six month period. If you disagree with the determination with respect to any items on your ROPS 13-14A, 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/](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: \$12,464,235 as summarized below:

<b>Approved RPTTF Distribution Amount</b>	
<b>For the period of July through December 2013</b>	
Total RPTTF funding requested for obligations	\$ 16,034,752
Minus: Six-month total for items denied or reclassified as administrative cost	
Item 22*	223,807
Item 27*	12,500
Item 28*	5,000
Item 42*	1,400
Item 43*	2,300
Item 44*	605
Item 45*	3,000
Item 46*	500
Item 47*	7,500
Item 50*	500
Item 111	1,431,195
Total approved RPTTF for enforceable obligations	<u>\$ 14,346,445</u>
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost	<u>430,393</u>
Minus: ROPS II prior period adjustment	<u>(2,312,603)</u>
<b>Total RPTTF approved for distribution:</b>	<b>\$ 12,464,235</b>

\*Reclassified as administrative cost

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2012 period. HSC Section 34186 (a) also specifies that the prior period adjustments self-reported by successor agencies are subject to audit by the county auditor-controller (CAC) and the State Controller. The amount of RPTTF approved in the above table includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

Please refer to the ROPS 13-14A schedule that was used to calculate the approved RPTTF amount:

[http://www.dof.ca.gov/redevelopment/ROPS/ROPS 13-14A Forms by Successor Agency/](http://www.dof.ca.gov/redevelopment/ROPS/ROPS%2013-14A%20Forms%20by%20Successor%20Agency/).

This is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 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 denied on this ROPS or a preceding ROPS. The only exception is for those items that have received a Final and Conclusive determination from Finance pursuant to HSC 34177.5 (i). Finance's review of items that have received a Final and Conclusive determination is limited to confirming the scheduled payments as required by the obligation.

The amount available from the RPTTF is the same as the amount of 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.

To the extent proceeds from bonds issued after December 31, 2010 exist and are not encumbered by an enforceable obligation pursuant to 34171 (d), HSC section 34191.4 (c)(2)(B) requires these proceeds be used to defease the bonds or to purchase those same outstanding bonds on the open market for cancellation.

Please direct inquiries to Kylie Le, Supervisor or Michael Barr, Lead Analyst at (916) 445-1546.

Sincerely,

A handwritten signature in black ink, appearing to read 'Steve Szalay', with a stylized flourish at the end.

STEVE SZALAY  
Local Government Consultant

cc: Ms. Denise Marrufo, Project Analyst, City of Carson  
Ms. Kristina Burns, Manager, Los Angeles County Department of Auditor-Controller  
California State Controller's Office