



May 17, 2013

Mr. Jeff Muir, Chief Financial Officer  
City of Culver City Successor Agency  
9770 Culver Boulevard  
Culver City, CA 90232

Dear Mr. Muir:

Subject: Recognized Obligation Payment Schedule

This letter supersedes California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS 13-14A) letter dated March 29, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Culver City Successor Agency (Agency) submitted a ROPS 13-14A to Finance on February 14, 2013 for the period of July through December 2013. 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 April 30, 2013.

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 item being disputed.

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. 23 relating to the Low and Moderate Income Housing Fund (LMIHF) loan repayment in the amount of \$25,848. The Agency contends that Finance's interpretation of HSC section 34176 is contrary to the language of the statute because it specifically authorizes repayment to commence in the 2013-14 fiscal year. Our review of HSC section 34176 (e)(6)(B) indicates that while ROPS 13-14A technically falls within fiscal year 2013-14, the repayment of these loaned amounts are subject to the repayment formula outlined in HSC section 34176 (e)(6)(B). HSC section 34176 (e)(6)(B) allows this repayment to be equal to one-half of the increase between the ROPS residual pass-through distributed to the taxing entities in that fiscal year and the ROPS residual pass-through distributed to the taxing entities in the 2012-13 base year. Since the formula does not allow for estimates, the Agency must wait until the ROPS residual pass-through distributions are known for fiscal year 2013-14 before requesting funding for this obligation. Therefore, the Agency may be able to request funding for the repayment of LMIHF loans beginning with ROPS 14-15A. As such, this item remains not eligible for funding for Redevelopment Property Tax Trust Fund (RPTTF) funding at this time.
- Item Nos. 34, 35, and 36 – asset maintenance costs in the amount of \$67,500. The Agency provided additional documentation during the Meet and Confer process and our review indicates that these items are for ongoing maintenance costs of Agency owned

properties prior to disposition and should not be considered general administrative costs. Therefore, these items will be removed from the administrative cost calculation. We note that the allowable administrative cost will be reduced by \$67,500 because these items were included in the approved administrative calculation; however, the total approved enforceable obligations will be increased by the same amount resulting in no effect to the total amount approved for distribution in the ROPS 13/14A period.

- Prior period adjustment in the amount of \$1,651,657. The Agency contends that according to HSC section 34171(h), that the ROPS document sets the minimum payment amounts, but it is not intended to put a cap on the amount the Agency is required to pay on obligations. The Agency also contends that there is provision allowing the County Auditor Controller (CAC) to reject the increased payment amounts on enforceable obligations. Our review indicates that the \$1,651,657 is the CAC reported difference between the estimated amounts, approved on the July through December 2012 (ROPS II), and the amounts expended for that period. This prior period adjustment amount was verified with CAC. HSC 34186 gives the CACs the authority to audit the differences between estimated and actual payments. Therefore, the ROPS II prior period adjustment of \$1,651,657 remains.

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. 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 July through December 2013. Finance's determination is effective for this time period only and should not be conclusively relied on 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 Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is: **\$14,243,790** 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	\$ 15,471,295
Minus: Six-month total for items denied or reclassified as administrative cost Item 23	25,848
Total approved RPTTF for enforceable obligations	<u>\$ 15,445,447</u>
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost	<u>450,000</u>
Minus: ROPS II prior period adjustment	<u>1,651,657</u>
<b>Total RPTTF approved for distribution:</b>	<b>\$ 14,243,790</b>

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_13-14A_Forms_by_Successor_Agency/).

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 Evelyn Suess, Dispute Resolution Supervisor or Derk Symons, Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY  
Local Government Consultant

cc: Mr. Nick Kimball, Procurement & Financial Services Manager  
Ms. Kristina Burns, Manager, Los Angeles Auditor Controller's Office  
California State Controller's Office