



April 14, 2013

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 Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14A) to the California Department of Finance (Finance) on February 28, 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 obligation(s):

- Item Nos. 1, 4, and 6 – Principle and interest payments for the Tax Allocation Bonds 1996 Series A (#1), 1999 Alameda (#3), and 2011 Series A (#4) using Redevelopment Property Tax Trust Fund (RPTTF) are not allowed. Finance approved the Agency to retain reserves on ROPS III in an amount sufficient to cover the September 2013 bond debt service payments. Appropriately so, the Agency requested to use reserve funds to pay for these items in ROPS 13-14A identified as Item Nos. 2, 5, and 7. Therefore, these items are not eligible for RPTTF funding on the ROPS.

It appears the Agency will not need to retain reserve funding for the ROPS 13-14B period since it is an interest-only payment. However, if the Agency believes they will have a shortfall in available RPTTF in the ROPS 14-15A period, they should request reserves in the ROPS 13-14B period.

- Item Nos. 14, 18 and 52 – Although enforceable the types of services requested totaling \$54,560 are considered general administrative services and have been reclassified.
- Item No. 19 – Unfunded accrued pension liability in the amount of \$3.6 million. The Agency requested \$2.5 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 \$2.5 million in unfunded pension liability allocated over five years results in ten bi-annual payments of \$250,000 and will cause the least amount of disruption to the taxing entities. Therefore, \$250,000 of unfunded pension obligation is an enforceable

obligation payable on ROPS 13-14A. The remaining balance of \$2,250,000 is not an enforceable obligation at this time, and should continue to be placed on future ROPS until the obligation is retired.

- Item No. 35 – Habitat for Humanity Affordable Housing costs totaling \$727,596. Finance previously denied this item identified as Item No. 27 on our ROPS III letter dated November 21, 2012. Our determination was further confirmed in the meet and confer letter dated December 18, 2012. 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 RDA, all rights, powers, duties, obligations and housing assets shall be transferred to the city, county, or city and county. Additional review of these items indicates they are related to housing functions. Since the City assumed the housing functions, the administrative costs associated with these functions are the responsibility of the housing successor. Therefore, this item is not an enforceable obligation and not eligible for RPTTF funding on the ROPS.

Except for item(s) denied in whole or in part as enforceable obligation(s), Finance is not objecting to the remaining item(s) 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 \$1,312,993 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	\$ 3,008,081
Minus: Six-month total for items denied or reclassified as administrative cost	
Item 1	696,241
Item 4	77,405
Item 6	1,010,763
Item 14*	15,000
Item 18*	30,000
Item 35	6,000
Item 52*	9,650
Total approved RPTTF for enforceable obligations	<u>\$ 1,163,022</u>
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost	<u>191,608</u>
Minus: ROPS II prior period adjustment	<u>(41,637)</u>
<b>Total RPTTF approved for distribution:</b>	<b>\$ 1,312,993</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,



STEVE SZALAY  
Local Government Consultant

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