



May 17, 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

This letter supersedes California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS 13-14A) letter dated April 14, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Lynwood Successor Agency (Agency) submitted ROPS 13-14A to Finance 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 25, 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 items being disputed.

- Item Nos. 1, 4, and 6 – Principal and interest payments for the Tax Allocation Bonds 1996 Series A (#1) of \$696,241, 1999 Alameda (#3) of \$77,405, and 2011 Series A (#4) of \$1,010,763 using Redevelopment Property Tax Trust Fund (RPTTF) were denied by Finance. However, HSC 34171 (d) (1) (A) states a reserve may be held when required by the bond indenture or when the next property tax allocation will be insufficient to pay all obligations due under the provisions of the bond for the next payment due in the following half of the calendar year. Based on the debt service schedules for the bonds, the Agency will be allowed to request RPTTF to establish reserves for the March 2014 interest-only payments. As a result Finance denies the following amounts in excess of the required interest payments:
 - Finance denies \$406,553 of Item No. 1
 - Finance denies \$51,575 of Item No. 4
 - Finance denies \$426,300 of Item No. 6
- Item No. 14 – Compensable Days Leave Balances in the amount of \$15,000. Finance reclassified this item as an administrative cost. Although enforceable, the type of service requested is considered general administrative services and continues to be reclassified as an administrative cost.

- Item No. 18 - Unemployment Agreement in the amount of \$30,000. Finance previously reclassified this item as an administrative cost counting towards the administrative cost cap. Finance no longer reclassifies the item as an administrative cost. Per HSC section 34171 (d) (1) (C), legally enforceable payments required in connection with agencies' employees including unemployment payments are enforceable obligations. Therefore the item is an enforceable obligation eligible for RPTTF funding.
- Item No. 19 – Unfunded accrued pension liability. The Agency originally requested to use \$2.5 million in reserves to fund this liability for the ROPS 13-14A period. Finance determined that the requested amount is excessive for a single ROPS period approved an amount of \$250,000. During the Meet and Confer session, the Agency requested to increase the initial year funding by \$100,000 to \$350,000. The expenditure of \$350,000 for the ROPS 13-14A period appears reasonable, and therefore Finance is approving \$350,000 and adjusting the requested amount by \$2,150,000 (\$2,500,000 - \$350,000). The remaining balance of \$2,150,000 should be allocated over five years and placed on future ROPS until the obligation is retired.
- Item No. 34 - DDA- Habitat for Humanity 3254 Palm Ave. construction costs totaling \$69,391. Finance previously denied this item identified as Item No. 27 on Finance's ROPS III determination letter dated November 21, 2012. During the Meet and Confer session, the Agency provided additional information to support the construction costs owed to Habitat for Humanity for the project at 3254 Palm Ave. Therefore the item is an enforceable obligation eligible for RPTTF funding.
- Item No. 35 – Habitat for Humanity Affordable Housing costs totaling \$727,596. Finance previously denied this item identified as Item No. 27a 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, Finance continues to deny this item.
- Item No. 52 - Agreement - Liability Insurance in the amount of \$9,650. Finance reclassified this item as an administrative cost. Although costs for carrying insurance are enforceable, they should be funded with the administrative allowance. As such this item continues to be reclassified as an administrative cost.
- ROPS II Prior Period Adjustment in the amount of \$41,637. Finance continues to uphold this County Auditor-Controller reported prior period adjustment. Unspent funds that were approved for one line item cannot be used to fund a different line item.

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 \$2,282,365 as summarized below:

Approved RPTTF Distribution Amount	
For the period of July through December 2013	
Total RPTTF funding requested for obligations	\$ 3,008,081
Minus: Six-month total for items denied or reclassified as administrative cost	
Item 1	406,553
Item 4	51,575
Item 6	426,300
Item 14*	15,000
Item 35	6,000
Item 52*	9,650
Plus: Construction costs payable to Habitat for Humanity	
Item 34	69,391
Total approved RPTTF for enforceable obligations	\$ 2,162,394
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost	161,608
Minus: ROPS II prior period adjustment	(41,637)
Total RPTTF approved for distribution:	\$ 2,282,365

*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

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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 Chikako Takagi-Galamba, Manager or Mindy Patterson, 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