



April 11, 2014

Mr. Vilko Domic, Director of Finance / City Treasurer  
City of Commerce  
2535 Commerce Way  
Commerce, CA 90040

Dear Mr. Domic:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Commerce Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15A) to the California Department of Finance (Finance) on February 27, 2014 for the period of July through December 2014. Finance has completed its review of your ROPS 14-15A, 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 for the reasons specified:

- Item No. 66 – Successor Agency bond reserve fund in the amount of \$26,800,000. The Agency claims it needs to build reserves over the next several years to ensure debt service payments can be made once the tax incremental cap is reached. The Agency believes the funding cap may be reached by fiscal year 2018-19. HSC 34171 (d) (1) (A) states that reserves 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 calendar year. Since the Agency's request to build a reserve for these payments on stated limitations in the former redevelopment agency's plan is not an enforceable obligation per HSC section 34171, Finance cannot authorize the request. Further, it is Finance's expectation that enforceable obligations be listed on the ROPS and be paid out of available Redevelopment Property Tax Trust Fund (RPTTF) until such time that the obligation has been satisfied. Therefore, a reserve fund for these future payments is not necessary and is not eligible for RPTTF funding on this ROPS.
- Claimed administrative costs exceed the allowance by \$38,684. HSC section 34171 (b) limits the fiscal year 2014-15 administrative expenses to three percent of property tax allocated to the Agency or \$250,000, whichever is greater. Although \$288,684 is claimed for administrative cost, only \$250,000 is available pursuant to the cap. Therefore, \$38,684 of excess administrative cost is not allowed.

During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should be used prior to requesting RPTTF. Pursuant to HSC section 34177 (l) (1) (E), RPTTF may be used as a funding source, but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation. The Agency provided financial records that displayed available Reserve Balances totaling \$5,489,187. Included in this amount is \$4,000,000 that was distributed for Item No. 66 during ROPS 13-14B; however this amount is no longer needed. Therefore, with the Agency's concurrence, the funding source for the following items have been reclassified to Reserve Balances and in the amounts specified below:

- Item Nos. 1, 4, 17, 29, 36 and 52 – Various line items totaling \$5,589,187 have been reclassified. The Agency requests \$5,589,187 of RPTTF; however Finance is reclassifying \$5,489,187 to Reserve Balances. These items are enforceable obligations for the ROPS 14-15A period. However, these obligations do not require payment from property tax revenues and the Agency has \$5,489,187 in available Reserve Balances. Therefore, Finance is approving RPTTF in the amount of \$100,000 and the use of Reserve Balances in the amount of \$5,489,187, totaling \$5,589,187.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 14-15A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2013 period. HSC section 34186 (a) also specifies 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 table below includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

Except for the items denied in whole or in part as enforceable obligations or for the items that have been reclassified, Finance is not objecting to the remaining items listed on your ROPS 14-15A. If you disagree with the determination with respect to any items on your ROPS 14-15A, 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 RPTTF distribution for the reporting period is \$2,401,040 as summarized below:

<b>Approved RPTTF Distribution</b>	
<b>For the period of July through December 2014</b>	
Total RPTTF requested for non-administrative obligations	9,695,991
Total RPTTF requested for administrative obligations	288,684
<b>Total RPTTF requested for obligations</b>	<b>\$ 9,984,675</b>
<b>Total RPTTF requested for non-administrative obligations</b>	
Denied Item	
Item No. 66	(2,000,000)
	(2,000,000)
<b>Total RPTTF for non-administrative obligations</b>	<b>7,695,991</b>
Cash Balances - Item reclassified to other funding sources	
Item No. 1	(461,581)
Item No. 4	(4,174,984)
Item No. 17	(500,514)
Item No. 29	(106,978)
Item No. 36	(120,130)
Item No. 52	(125,000)
	(5,489,187)
<b>Total RPTTF authorized for non-administrative obligations</b>	<b>\$ 2,206,804</b>
<b>Total RPTTF requested for administrative obligations</b>	<b>288,684</b>
Administrative costs in excess of the cap	(38,684)
<b>Total RPTTF authorized for administrative obligations</b>	<b>\$ 250,000</b>
<b>Total RPTTF authorized for obligations</b>	<b>\$ 2,456,804</b>
ROPS 13-14A prior period adjustment	(55,764)
<b>Total RPTTF approved for distribution</b>	<b>\$ 2,401,040</b>

Please refer to the ROPS 14-15A schedule that was used to calculate the approved RPTTF amount:

<http://www.dof.ca.gov/redevelopment/ROPS>

Absent a Meet and Confer, this is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2014. This determination only applies to items where funding was requested for the six-month period. 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 section 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 HSC section 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 Oltmann, Supervisor or Hugo Lopez, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD  
Assistant Program Budget Manager

cc: Mr. Josh Brooks, Assistant Director of Finance, City of Commerce  
Ms. Kristina Burns, Manager, Department of Auditor-Controller, Los Angeles County  
California State Controller's Office