



March 16, 2017

Ms. Amelia Soto, Project Manager
City of Carson
701 East Carson Street
Carson, CA 90745

Dear Ms. Soto:

Subject: 2017-18 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Carson Successor Agency (Agency) submitted an annual Recognized Obligation Payment Schedule for the period of July 1, 2017 through June 30, 2018 (ROPS 17-18) to the California Department of Finance (Finance) on January 26, 2017. Finance has completed its review of the ROPS 17-18.

Based on a sample of line items reviewed and application of the law, Finance made the following determinations:

- Item No. 151 – Contract for professional services for the monitoring of agency-owned properties in the total outstanding amount of \$15,000 is not allowed. It is our understanding these costs are no longer required. Therefore, with the Agency's concurrence, this item has been retired and the requested amount of \$15,000 is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.
- The claimed administrative costs exceed the allowance by \$55,466. HSC section 34171 (b) (3) limits the fiscal year Administrative Cost Allowance (ACA) to three percent of actual RPTTF distributed in the preceding fiscal year or \$250,000, whichever is greater; not to exceed 50 percent of the RPTTF distributed in the preceding fiscal year. As a result, the Agency's maximum ACA is \$712,723 for the fiscal year 2017-18. Although \$768,189 is claimed for ACA, only \$712,723 is available pursuant to the cap. Therefore, as noted in the table below, \$55,466 of excess ACA is not allowed:

Administrative Cost Allowance Calculation	
Actual RPTTF distributed for fiscal year 2016-17	\$ 24,182,914
Less distributed Administrative RPTTF	(425,467)
Less sponsoring entity loan repayments	0
RPTTF distributed for 2016-17 after adjustment	<u>23,757,447</u>
ACA Cap for 2017-18 per HSC section 34171 (b)	712,723
ACA requested for 2017-18	<u>768,189</u>
Total ACA	768,189
ACA in Excess of Cap	\$ (55,466)

- Additionally, Finance notes the Oversight Board (OB) has approved an amount that appears excessive, given the number and nature of the other obligations listed in the ROPS. HSC section 34179 (i) requires the OB to exercise a fiduciary duty to the taxing entities. Therefore, Finance encourages the OB to apply adequate oversight when evaluating the administrative resources required to successfully wind-down the Agency.

Except for the items adjusted, Finance is not objecting to the remaining items listed on the ROPS 17-18. If the Agency disagrees with Finance's determination with respect to any items on the ROPS 17-18, except items which are the subject of litigation disputing Finance's previous or related determinations, the Agency 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 on Finance's website:

<http://dof.ca.gov/Programs/Redevelopment/Meet And Confer/>

The Agency's maximum approved RPTTF distribution for the reporting period is \$26,304,019 as summarized in the Approved RPTTF Distribution table on Page 4 (see Attachment).

RPTTF distributions occur biannually, one distribution for the July 1, 2017 through December 31, 2017 period (ROPS A period), and one distribution for the January 1, 2018 through June 30, 2018 period (ROPS B period) based on Finance's approved amounts. Since Finance's determination is for the entire ROPS 17-18 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

On the ROPS 17-18 form, the Agency reported cash balances and activity for the period of January 1, 2016 through June 30, 2016. Finance reviews the Agency's self-reported cash balances on an ongoing basis. The Agency should be prepared to submit financial records and bridging documents to support the cash balances reported upon request.

The Agency was not required to report the estimated obligations versus actual payments (prior period adjustment) associated with the July 1, 2015 through June 30, 2016 period (ROPS 15-16). The Agency will report actual payments for ROPS 15-16 on ROPS 18-19, pursuant to HSC section 34186 (a) (1). A prior period adjustment may be applied to the Agency's ROPS 18-19 RPTTF distribution. Therefore, the Agency should retain any unexpended ROPS 15-16 RPTTF.

Absent a Meet and Confer, this is Finance's determination regarding the obligations listed on the ROPS 17-18. This determination only applies to items when funding was requested for the 12-month period.

The ROPS 17-18 form submitted by the Agency and Finance's determination letter will be posted on Finance's website:

<http://dof.ca.gov/Programs/Redevelopment/ROPS/>

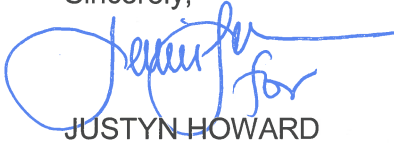
Finance's determination is effective for the ROPS 17-18 period only and should not be conclusively relied upon for future ROPS periods. All items listed on a future ROPS are subject to review and may be denied even if not denied on this ROPS or a preceding ROPS. The only exception is for items that have received a Final and Conclusive determination from Finance

pursuant to HSC section 34177.5 (i). Finance's review of Final and Conclusive items 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 available prior to the enactment of the redevelopment dissolution law. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax increment is limited to the amount of funding available to the Agency in the RPTTF.

Please direct inquiries to Anna Kyumba, Supervisor, or Daisy Rose, Lead Analyst, at (916) 322-2985.

Sincerely,



JUSTYN HOWARD
Program Budget Manager

cc: Mr. Daniel Zepeda, Accounting, City of Carson
Ms. Kristina Burns, Manager, Department of Auditor-Controller, Los Angeles County

Attachment

Approved RPTTF Distribution			
For the period of July 2017 through June 2018			
	ROPS A Period	ROPS B Period	ROPS 17-18 Total
RPTTF Requested	\$ 13,354,407	\$ 12,251,889	\$ 25,606,296
Administrative RPTTF Requested	400,632	367,557	768,189
Total RPTTF Requested	13,755,039	12,619,446	26,374,485
RPTTF Requested	13,354,407	12,251,889	25,606,296
<u>Adjustment</u>			
Item No. 151	(7,500)	(7,500)	(15,000)
RPTTF Authorized	13,346,907	12,244,389	25,591,296
Administrative RPTTF Requested	400,632	367,557	768,189
Excess Administrative Costs	0	(55,466)	(55,466)
Administrative RPTTF Authorized	400,632	312,091	712,723
Total RPTTF Approved for Distribution	\$ 13,747,539	\$ 12,556,480	\$ 26,304,019