

**County of Los Angeles  
Statement of Indebtedness  
2011-2012 Instructions**

---

Section 33675 of the California Health and Safety Code provides an allocation and payment procedure to be followed for the portion of taxes identified in Section 33670(b). An integral part of the procedure requires that redevelopment agencies file annually, no later than October 1, for each project area of an agency a Statement of Indebtedness (SOI), a Reconciliation Statement (RS) and a calculation of the Available Revenues at year-end with the county auditor or officer responsible for the payment of taxes into the funds of the respective taxing agencies.

The following incorporates instructions issued by the State Controller in 1994 with additional guidelines established by the County.

A separate Statement of Indebtedness and accompanying forms is required for each project area. One Statement may be filed for an original and amended/annexed area(s) provided the areas are amended or merged as one project pursuant to applicable provisions of the Community Redevelopment Law (California Health & Safety Code Sections 33000 et seq.).

The enclosed 2011-2012 forms shall be used by redevelopment agencies in meeting the requirements of H & S Code Section 33675 and must be filed with the Los Angeles County Auditor-Controller **no later than Monday, October 3, 2011.**

**Definition of Terms:**

Submission Date

The October 1 following the end of a Fiscal Year.

Fiscal Year

The twelve-month period ending on the June 30 preceding the Submission Date.

Tax Year

The twelve-month period commencing the July 1 prior to the Submission Date.

Due During Tax Year

Amounts of principal and interest due in the tax year in which the statement of Indebtedness is filed.

The Statement of Indebtedness requires an agency to report, in part, "Principal and Interest Due during Tax Year". The Reconciliation Statement requires an agency to report, in part, all amounts paid against indebtedness during the fiscal year, broken down to payments made from tax increment funds, and payments made from all other sources of funds. This may bring to question the exact definition of "amounts paid" and "amounts due". Unfortunately, these definitions are not provided in the Health and Safety Code.

Bond indentures may require the "prefunding" of payments to be made to bond holders during a tax year. That is, an agency may be required to transfer tax increment to a trustee prior to the tax year for which the SOI is filed. In this case, the tax increment transferred would necessarily be increment received prior to the tax year. The question becomes, what amounts should be reported on the SOI and Reconciliation Statements: the amounts paid to the Trustee during the tax year, or the amounts due to the bond holder during the tax year per the debt schedule?

Working through the required documents, it should become apparent that, so long as an agency is consistent in its application, either assumption will work. It is not the purpose or intent of these instructions to provide a strict definition for determining which method to use, primarily due to the variety of terms of indentures and agreements that exist.

When preparing the Statement of Indebtedness, Reconciliation Statement, and Calculation of Available Revenues, the use of consistency from year to year for each indebtedness item is imperative, regardless of the method chosen to identify "paid" or "due".

## Statement of Indebtedness

General: Health and Safety Code Section 33675(c)(2) permits an agency to include on the SOI indebtedness entered into up to the date the SOI is filed. Since the SOI is filed on or before October 1 of each year, this could include indebtedness incurred after the end of the fiscal year as defined in Section 33675(k). However, the Reconciliation Statement and Calculation of Available Revenues are held to the July 1 - June 30 fiscal year period due to the definition of "fiscal year".

To assist agencies in the preparation of these forms, and yet allow some form of reconciliation, a three part SOI has been developed.

### Cover Page

This page is an accumulation of data from Form A and B and is used to total all outstanding indebtedness for the SOI. No detail is provided on this page. Further instructions follow.

### Form A

This form is to be used for all indebtedness of the fiscal year period, as defined. As the instructions that follow indicate, this form allows for multiple pages of data to be accumulated to determine the June 30 total indebtedness. ***The only items to be included in the Reconciliation Statement and Calculation of Available Revenues will be those items listed on this form.***

### Form B

At an agency's option, indebtedness incurred past June 30 of the fiscal year may be included on the SOI by completing this form. It is almost identical to Form A, and the instructions are the same, **with the exception that only indebtedness entered into after the fiscal year, and up to the date of the filing of the SOI** may be included on this form. ***Do not include any items listed on Form B on the Reconciliation Statement and Calculation of Available Revenues included with this SOI.***

Items listed on Form B of a SOI must be identified in the **following year's** Reconciliation Statement (Column B). If the indebtedness has not been satisfied and is still outstanding in the following fiscal year, that item will be listed on the following year's SOI, Form A.

## Specific Instructions

### Cover Page

1. Project Identification. Identify the project area by name. For each project area, a separate SOI shall be prepared, certified by the chief financial officer of the redevelopment agency, and submitted to the county auditor or officer (as described above).
2. Line (1) Fiscal Period - Totals. Carry forward the amounts from the line entitled "Totals, Fiscal Year Indebtedness" from Form A, page 1, "Current" columns only.
3. Line (2) Post Fiscal Period - Totals (Optional). Carry forward the amounts from the line entitled "Totals, Post Fiscal Year Indebtedness" from Form B, page 1, "Current" columns only.
4. Line (3) Grand Totals. Sum lines 1 and 2.
5. Line (4) Available Revenues. The amount calculated pursuant to the Calculation of Available Revenues document, line 7.
6. Line (5) Net Requirement. The excess of outstanding debt over available financing, line 3 less line 4. ***The county auditor shall pay the portion of taxes provided by subdivision (b) of Section 33670 to each agency not to exceed this amount per project area.***
7. Certification of Chief Financial Officer. Health and Safety Code Section 33675(b) requires the Chief Financial Officer of the agency to certify the document as a true and accurate Statement of Indebtedness for the agency. Print or type the Financial Officer's name and title on the line above the Signature line and use the date the document is signed.

## Form A

General: This form is designed to accommodate any number of items of indebtedness applicable to a redevelopment project area. If there are ten or fewer items of indebtedness, the information may be reported by using page 1 of Form A only.

If more than ten items of indebtedness exist, additional pages may be used as necessary. Number the pages in the manner indicated in the upper right hand corners. When additional pages are used, the total line on each page assists in the accumulation of "grand totals" to be entered on page 1 of Form A.

1. Project Identification. Identify the project area by name.
2. Debt Identification. Identify each indebtedness as uniquely as possible by the type of indebtedness. **Examples of types of indebtedness are: bonds, notes, leases, advances, contracts to purchase, repayment obligations, obligations to the Low and Moderate Income Housing Fund, obligations to the County and other local taxing entities (per H&S Code Section 33676 and 33401) for pass-through payments, State mandated tax shift to the Education Revenue Augmentation Fund (ERAF), development agreements, other indebtedness, etc.** The page and line reference used on the SOI, Form A, will be used by reference on the Reconciliation Statement each year.

Do not include indebtedness, which is not a debt of the agency. Examples include, but are not limited to: issues which have been fully defeased, certificates of participation fully covered by revenues from other sources which do not require or have tax increment revenues pledged, and mortgage revenue bonds.

In reporting refunding issues, either the original or the refunding indebtedness may be reported. However, both the original and the refunding debt items should not be listed simultaneously on your statement to avoid any accounting duplication.

**No loan, advance, or indebtedness that an agency intends to pay from the Low and Moderate Income Housing Fund shall be listed on a Statement of Indebtedness or Reconciliation Statement as agency indebtedness.**

3. Date. For each indebtedness, enter the date the indebtedness was entered into or incurred. For any new debt incurred after June 30, 2010 that is listed, copies of supporting documentation are required, if not already provided.
4. Original Principal Amount. Enter the amount of obligation incurred on the date shown in the preceding column. This amount will remain the same in subsequent years, even if the indebtedness principal has increased after the original issuance. The amount listed should not be increased each year for unpaid interest nor should it be decreased each year for principal payments.

**Any change to the principal amount of an existing debt should be reported on the Reconciliation Statement in columns B and/or C and supported by documentation** (e.g., resolutions increasing the amount of the city loan/advances, etc.)

5. Term. Enter the original date the indebtedness is due to be paid.
6. Interest Rate. Enter the original rate of interest to be paid on the obligation. If multiple rates are to be paid, attach a separate schedule showing the rates and the corresponding principal amounts. Provide amortization schedule(s) when applicable.
7. Original Interest on Indebtedness. Enter the original amount of total interest expected to be paid over the life of this obligation. Use estimates if necessary.
8. Total Outstanding Debt. From the Reconciliation Statement, bring forward Column (F), Remaining Balance for each line with an ending balance. This column represents the total principal and interest remaining to be paid.
9. Principal/Interest Due During Tax Year. The total amount of principal and interest due during the tax year (as defined in these instructions). This total should not exceed the outstanding debt.
10. Sub Total, This Page (page 1 of Form A). Total this page.
11. Totals Forward From All Other Pages (page 1 of Form A). Accumulate the totals of Form A, page(s) 2 to xx, if used, on this line.
12. Totals, Fiscal Year Indebtedness (page 1 of Form A). Add the amounts described in 10 and 11 above to arrive at the total indebtedness at June 30

of the fiscal year. Carry this forward to the Cover Page, line (1).

13. Purpose of Indebtedness. The purpose, stated in concise terms, for each indebtedness listed above.

#### Form B (Optional)

General: Follow instructions for Form A, **EXCEPT the only items of indebtedness to be included on Form B will be indebtedness entered into AFTER June 30 of the Fiscal Year.** Assuming that a limited number of items of indebtedness will be listed on this form, only twelve (12) lines were provided. A single item of indebtedness ***may never appear on Form B in two consecutive years.***

Carry forward the Totals Post Fiscal Year Indebtedness line to the Cover Page, line (2).

#### **Reconciliation Statement**

General: This form is to be completed as part of the annual filing requirement for the SOI and can assist in the preparation thereof. Multiple pages may be used, if necessary, with the grand totals accumulated on page 1.

***Only items listed on the SOI, Form A, are to be included on the Reconciliation Statement. Do not include any indebtedness listed on Form B. Items listed on a previous year's Form B must ALWAYS appear on the current Reconciliation Statement as "new" indebtedness, EVEN IF FULLY REPAYED PRIOR TO THIS FISCAL YEAR END.***

1. Tax Year. Refer to the definition of terms.
2. Reconciliation Dates. The fiscal year for this SOI. For a SOI filed October 2011, this would be July 1, 2010 to June 30, 2011.
3. Debt Identification. List each indebtedness from the previous year's statement of indebtedness as referenced by the page and line used on that document. For any new indebtedness entered into during the fiscal year, enter "New" in the Page/Line reference column. **If the item was included on Form B of the previous SOI, indicate so in the description column. Since the Reconciliation Statement is a fiscal year document, any indebtedness not included on the previous Reconciliation Statement**

**(previous SOI Form B items) is considered "new" indebtedness for the current Reconciliation Statement.** Include a brief description of each indebtedness for verification purposes.

4. Outstanding Debt All Beginning Indebtedness - (Col A) List beginning balances of all indebtedness during the fiscal year (last year's remaining balance – Column F).
5. New/Adjustments - (Col B). Use this column to list indebtedness on the SOI Form B filed in the previous year and any adjustments which increased or added to the indebtedness shown in Column A. Include also any new indebtedness entered into during the fiscal year. This may include indebtedness entered into and satisfied in full during the fiscal year. If this is the case, the amount outstanding in column F should be 0 (zero).

**A description of the adjustments listed in Column B should be provided on an accompanying form of the agency's choosing. List individual items of adjustment separately if multiple adjustments are accumulated on any line and column. Be as descriptive as necessary to provide a reasonable understanding of the adjustment.**

6. Adjustments - (Col C) Use this column to list any adjustments made to existing indebtedness which decrease or reduce the indebtedness shown in column A. Examples include, but are not limited to, reductions in estimates used on the previous SOI, "forgiveness" of existing obligations, and other such decreases or reductions. **Do not include payments against indebtedness.**

**A description of the adjustments listed in Column C should be provided on an accompanying form of the agency's choosing. List individual items of adjustment separately if multiple adjustments are accumulated on any line and column. Be as descriptive as necessary to provide a reasonable understanding of the adjustment.**

7. Amounts Paid Against Indebtedness (Col D) and (Col E). List all principal and interest payments made against all indebtedness during the fiscal year whether paid from tax increment revenues or from any other source. Segregate the payments, made with tax increment and enter in column (D). Enter payments made from any other source in column (E). For this purpose, consider the original source of the revenue used, regardless of the fiscal year in which the revenue was received. For instance, if the agency has chosen to recognize payments to bond-holders as the "measurement focus" for "Amounts Due/Paid Against Indebtedness", payments made to a

fiscal agent from tax increment in a previous fiscal year, and used to repay indebtedness in this fiscal year should be included under the Tax Increment column, (Col D).

8. Remaining Balance (Col F). The total of columns A through E. This figure represents the ending indebtedness for the fiscal year after the application of all transactions occurring during the fiscal year. **This column must equal the column on the SOI Form A entitled "Total Outstanding Debt".**

### Calculation of Available Revenues

General: In order to calculate the Net Requirement for Tax Increment, redevelopment agencies must calculate available revenues at the fiscal year end. **For the purpose of calculating the available revenues, fiscal year is to be the same as the Reconciliation Statement, with the same June 30 ending.** Only one sheet is necessary per project area, as available revenues are determined by project area as a whole.

The term "available revenues" is defined in Section 33675(e) as *"...available revenues shall include all cash or cash equivalents held by the agency that were received by the agency pursuant to Section 33670 and all cash or cash equivalents held by the agency that are irrevocably pledged or restricted to payment of a loan, advance, or indebtedness that the agency has listed on a statement of indebtedness. In no event shall available revenues include funds in the agency's Low and Moderate Income Housing Fund established pursuant to Section 33334.3."*

1. Available Revenues - Beginning (Line 1). This will always be carried over from the previous years ending available revenues.
2. Tax Increment Received - Gross (Line 2). The gross amount of the tax increment revenues the agency received during the fiscal year, as defined above, **including the amount of tax increment set-aside to the Low and Moderate Income Housing Fund.** Also include any amounts paid to other local taxing agencies as "pass-through" payments, regardless of who distributed those payments.

Note - in order to balance properly, an agency **must have listed its pass-through obligations and obligations to the Low and Moderate Income Housing Fund on the SOI and include those payments on the Reconciliation Statement.**

Also, since all tax increment revenues are being accounted for as available revenue received, an agency must also include all uses of tax increment revenues, as long as it is used to pay indebtedness as listed on the previous year's SOI, or indebtedness which has been entered into and paid, in part or in whole, during the current year. This will require agencies to use tax increment **solely** for the purpose of repayment of indebtedness, in accordance with Health and Safety Code Section 33670(b). If an agency used tax increment for any other purpose during the fiscal year ***without including those transactions on the reconciliation statement***, that amount will remain in this calculation as available revenues at fiscal year end, potentially reducing the tax increment available to it for the following year.

3. All Other Available Revenues (Line 3). The available revenues definition includes: "Cash or cash equivalents held by the agency that are irrevocably pledged or restricted to payment of a loan, advance, or indebtedness that the agency has listed on the previous year's SOI". Include all non-tax increment revenues that meet this definition.
4. Other Revenues (Line 4). Enter the amount of revenues from any source other than tax increment or available revenues, as defined above, which were used in the repayment of indebtedness as included in column E in the Reconciliation Statement. The purpose of this calculation is to determine any amounts used to reduce indebtedness listed on the previous year's SOI, which were not tax increment revenue or "available revenues" as defined.
5. Sum of Lines 1 through 4 (Line 5). This represents the total of all revenues used or available for indebtedness reduction during the fiscal year.
6. Total Amounts Paid Against Indebtedness (Line 6). Sum of columns D and E on the Reconciliation Statement.
7. Available Revenues, End of Year (Line 7). Deduct line 6 from line 5. This calculates the project area Available Revenues at fiscal year end. This amount is to be carried forward to the Available Revenues line on the SOI Cover Page, Line (4).