

---

**Compton Community Redevelopment Agency faces cocktail of financial difficulties, city audit problems – New Coverage**  
**October 10, 2012**

The former **Compton Community Redevelopment Agency** (RDA) considers itself separate from the city of **Compton**, as the city's lack of audit and financial difficulties have "cast a cloud" over potential RDA investors who may have already been spooked by the earlier dissolution process, said Redevelopment Director Kofi Sefa-Boakye.

"If you go through the mechanics of how the RDA operates then you can see there is no (issue) in their operations because we are funded through a different source," Sefa-Boakye said.

RDA bonds are backed by tax increment revenue, a separate stream from city general fund obligations.

That did not stop auditors from giving the RDA a black mark on its FY11 financial report. Accounting firm Mayer Hoffman McCann said they did not receive enough information from Compton to issue an opinion on the city or the RDA's compliance with generally accepted accounting principles, according to the FY11 financial report.

Compton is looking to hire auditors to complete the FY11 audit, while asking Los Angeles County to perform a forensic audit of accusations of financial mismanagement, according to prior reports, actions which may reinstate the city's eligibility for a line of credit.

The former RDA collected USD 14.9m net of pass-through payments in tax increment revenue in FY11, according to the unaudited FY11 financials. The collection will only provide MADS coverage of 0.88x in FY14, when principal and debt payments total USD 16.8m. Debt service coverage was 1.17x in FY11, excluding a USD 8.0m special property tax payment made to the former RDA, according to the FY11 financials. The additional property tax payment gives the former RDA 1.5x MADS in FY14.

Sefa-Boakye declined to comment on specifics of the financial statements, only saying that the revenues should increase. Compton officials did not respond to requests for comment on the financial statements.

Compton's investors have been further riled by the end of RDAs. California RDAs were dissolved in February, following the 2011 passage of ABx1 26. Each RDA is wound down through a successor agency, often the RDA's host city, so the state can amass the tax increment revenue the RDAs used to collect and distribute it to school districts. The legislation allows tax increment revenue collected by the RDAs to be used for debt service on the RDA's legacy bonds after approval of a Recognized Obligation Payment Schedule by the California Department of Finance.

"We cashed out while we still had a little profit in ours," said Randy Maxwell, an investment portfolio manager with Tennessee Farmers Life Insurance Company, which held bonds in "a couple" RDAs including Compton's Series 2010C taxable second lien tax allocation bonds (TABS) which mature in 2020. "We resold our position back in July because we knew (they) were taking away those redevelopment agencies" essential functions.

The USD 9.9m tranche of series 2010C TABs that mature in 2020 traded five times in September between 95.5 and 100.5 yielding 7.2% to 8.1%. The bonds are not rated. Current bondholders could not be immediately identified. The bond trustee is **US Bank**. There is USD 126.7m debt outstanding in the RDA.

*by Maryellen Tighe*