

**From:** Joyce Dillard  
**Sent:** Friday, September 28, 2012 6:48 PM  
**To:** Director - GASB  
**Subject:** Comments to GASB Project No. 19-18 Accounting and Financial Reporting for Nonexchange Financial Guarantee Transactions due 9.28.2012

We applaud this policy and its requirements for disclosure. But in that disclosure, we need to see the government that may own the asset, disclose their authority over transactions of entitlement.

Just today, we watched our (City of Los Angeles) City Council approve the lease of land, exchange of property, cancellation of air rights and expansion of density development for the Convention Center Remodel to allow for a NFL Football Stadium in its physical place.

The City physically holds title, but the Joint Powers Agreement JPA Authority (City and County appointed commissioners) has jurisdiction over the management and construction on the property and to issue debt. The City is then a lessee of the land and that lease money pays debt service. The lease money is funded from the General Fund, less a small profit generated by the Convention Center management that is put into the General Fund.

That portion of the existing Sports Arena (Basketball/Hockey) has a Gap Fund Guarantee from the Sports Entertainment Corporation who leases it from the City. Due to a basketball strike, part of that Gap Funding was called recently.

Joint Powers Agreement Authority had jurisdiction as a successor agency to the legislation and vote by the Citizens that established the Convention Center.

In a complicated deal of Library renovation, exchange of land, air rights, parking lots and affordable housing, the Community Redevelopment Agency CRA was brought into a Convention Center Expansion/Sports Arena Development in the late 1990s and took the lead. Federal Department of Housing and Urban Development funds (CDBG Community Development Block Grants) were involved. JPA Authority still approved the transaction, as did the CRA board and the City Council.

The Joint Powers Authority did have jurisdiction in issuing debt on the public Convention Center Expansion, but not the private Sports Arena leasehold improvement.

The Community Redevelopment Agency is in liquidation due to State legislation and court decisions. Some of these assets (air rights and housing) have not been transferred to a successor agency. The California State Department of Finance has final approval.

Now, no one is accounting for the complexity of these transactions and are, in essence, giving away property for a promise of future economic development and tax revenue increases.

We question how the existing Convention Center Expansion debt can be paid off. All were told that the Sports Entertainment Corporation Football Stadium Owner would pay that portion of the debt of the soon-to-be torn down section of the Convention Center.

How can a private firm now guarantee a public agency obligation by the Joint Powers Authority who leases it to the City without their approval.

The Joint Powers Authority had no say over the asset exchange and financial transactions and appear to be just puppets, expected to vote in debt.

No one has produced any financial analysis, other than the consultants hired by the Developer/Sports Entertainment Corporation Football Stadium/Sports Arena Basketball/Hockey Owner.

The City, in essence, gave away government property on the hopes that the Sports Entertainment Corporation Football Stadium Owner will guarantee, via Gap Funding, the debt on the leasehold football stadium.

There is no football team yet.

To add to it, that Sports Entertainment Corporation Football Stadium Owner is a predominant Colorado billionaire who just announced that he is selling all his assets (Sports Entertainment Corporation) here in Los Angeles

The City Council approved a major financial transaction outside all agreements and with total speculation.

Today, without any approval and total disregard for the Joint Powers Agreement Authority, the City gave away property in which the JPA Authority has an obligation to pay the debt.

CRA is allocating air space rights to their projects, so we may have double-dipping in air space.

When the assets is encumbered because of the debt and the guarantee is through lease payments, who really controls the asset.

The few Land assets that the City owns never appear on a Financial Statement.

There are financial disclosure notes about the JPA Authority CAFR. There were swaps on their debt. We cannot ascertain that status currently as no disclosure exists about that transaction.

Due to the heavy, undisclosed debt in overtime and pensions and the decreased revenues and high health and pension obligations, we do expect the City to go bankrupt.

Now, with the Convention Center Remodel to accommodate a Football Stadium, there will certainly be loss in revenue that has not been anticipated due to loss of bookings.

The City assumes that the Convention Center revenue will remain constant. That is impossible.

So, even with accruals, they have no basis in reality if there is no real cost analysis.

There are no disclosures on the risks.

So, who is responsible, at what level or is it really in the hands of a Bankruptcy Court Judge, after all the mistakes.

For other infrastructure, the non-profit corporation is used as a Financing Corporation and issues short-term debt without a vote of the Citizens. Assets are held in the name of the non-profit corporation and is not booked on the City financial statement.

The same is true with the School District and with park acquisition Joint Powers Authorities. JPAs are difficult to disclose.

How can disclosure be enforced at all levels of Public Private Partnerships.

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