DEPARTMENT OF FINANCE

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April 6, 2013

Ms. Tara Schultz, Interim Director of Development Services
City of Alhambra Successor Agency
111 South First Street
Alhambra, CA 91801

Dear Ms. Schultz:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Alhambra Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14A) to the California Department of Finance (Finance) on February 21, 2013 for the period of July through December 2013. Finance has completed its review of your ROPS 13-14A, 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 obligation(s):

- Item No. 14 – The Low and Moderate Income Housing Fund (LMIHF) loan repayment for SERAF in the amount of $200,000 is not allowed at this time. HSC section 34176 (e) (6) (B) specifies loan or deferral repayments to the LMIHF shall not be made prior to the 2013-14 fiscal year. While ROPS 13-14A technically falls within fiscal year 2013-14, the repayment of these deferred amounts is subject to the repayment formula outlined in HSC section 34176 (e) (6) (B).

  HSC section 34176 (e) (6) (B) allows this repayment to be equal to one-half of the increase between the ROPS residual pass-through distributed to the taxing entities in that fiscal year and the ROPS residual pass-through distributed to the taxing entities in the 2012-13 base year. Since the formula does not allow for estimates, the Agency must wait until the ROPS residual pass-through distributions are known for fiscal year 2013-14 before requesting funding for this obligation. Therefore, the Agency may be able to request funding for the repayment of housing deferred set-aside loans beginning with ROPS 14-15A. As such, this line item is not an enforceable obligation and will not be eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding at this time.

- Item No. 15 – Unfunded accrued pension liability in the amount of $2.1 million. The Agency requested $1.1 million of unfunded pension liability on this ROPS. Although this item is considered an enforceable obligation, Finance has determined that the amount requested is excessive for a single ROPS period. A reasonable payment schedule for this $1.1 million in unfunded pension liability allocated over five years results in ten bi-annual payments of $214,273 and will cause the least amount of disruption to the taxing

entities. Therefore, $214,273 of unfunded pension obligation is an enforceable obligation payable on ROPS 13-14A. The remaining balance of $857,091 is not an enforceable obligation at this time, and should continue to be placed on future ROPS until the obligation is retired.

- Item No. 21– Section 108 Loan between the City and Housing and Urban Development (HUD) for Fremont Plaza in the amount of $1.6 million is not an obligation of the Agency. This contract is between the City and HUD and the former RDA is not a party to the contract. Therefore, this line item is not enforceable obligation and not eligible for funding on the ROPS.

- Item No. 22 and 23 – Repayment of Community Development Block Grant loans in the amount of $214,788 are not enforceable obligations. It is our understanding the loans were provided by the City and the former RDA is not a party to the contract. Therefore, these line items are not enforceable obligations and not eligible for funding on the ROPS.

Except for item(s) denied in whole or in part as enforceable obligation**(s),** Finance is not objecting to the remaining item**(s)** listed on your ROPS 13-14A. This determination applies only to items where funding was requested for the six month period. If you disagree with the determination with respect to any items on your ROPS 13-14A, 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/

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is zero as summarized below:

Approved RPTTF Distribution Amount		
For the period of July through December 2013		
Total RPTTF funding requested for obligations	$	2,582,527
Minus: Six-month total for items denied or reclassified as administrative cost		
Item 14		200,000
Item 15		857,091
Total approved RPTTF for enforceable obligations	$	1,525,436
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost		125,000
Minus: ROPS II prior period adjustment		(2,952,583)
Total RPTTF approved for distribution:	**$**	**(1,302,147)**

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2012 period. HSC Section 34186 (a) also specifies that the 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 above table includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

Please refer to the ROPS 13-14A schedule that was used to calculate the approved RPTTF amount:

http://www.dof.ca.gov/redevelopment/ROPS/ROPS 13-14A Forms by Successor Agency/.

This is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2013. 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 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 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 Le, Supervisor or Michael Barr, Lead Analyst at (916) 445-1546.

Sincerely,

STEVE SZALAY
Local Government Consultant

cc: Ms. Silvia Smith, Project Manager, City of Alhambra
Ms. Kristina Burns, Manager, Los Angeles County Department of Auditor-Controller
California State Controller's Office