



April 15, 2013

Mr. Kevin Radecki, City Manager  
City of Industry  
15625 East Stafford Street  
City of Industry, CA 91744

Dear Mr. Radecki:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Industry Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14A) to the California Department of Finance (Finance) on March 1, 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 obligations:

- Item Nos. 8, 9, and 20 – City of Industry (City) notes in the amount of \$15 million. It is our understanding the note purchase agreements are between the Agency and the City of Industry Public Facilities Authority (Authority). It is also our understanding, the Authority is a joint powers authority duly organized by the City of Industry and the Industrial Development Authority of the City of Industry. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city that created the redevelopment agency (RDA) and the former RDA are not enforceable.

Upon receiving a Finding of Completion from Finance and after the oversight board makes a finding that the loan was for legitimate redevelopment purposes, HSC section 34191.4 (b) may cause these items to be enforceable in future ROPS periods.

- Item No. 261 – Architect and consulting services totaling \$35,000 is not enforceable obligations. It is our understanding that contracts for these line items have not yet been awarded. HSC section 34163 (b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011, unless specifically required by an enforceable obligation. Therefore, these items are not enforceable obligations and not eligible for funding on the ROPS.
- Item No. 262 – Property taxes totaling \$159,000. The Agency did not provide documentation to support Item No. 262. Finance was unable to determine whether these items meet the definition of an enforceable obligation. Therefore, these items are not enforceable obligations at this time and not eligible for funding on the ROPS.

- Item No. 104 – Materials totaling \$24,000 is not an obligation of the Agency. This contract is between the City and Hunter Landscape, Inc. The former RDA is neither a party to the contract nor responsible for payment of the contract. Therefore, this line item is not an enforceable obligation and not eligible for funding on the ROPS.
- Item No. 264 – Finance has determined the Industry East Industrial Park 1999 Lease Agreement in the amount of \$49.8 million is an enforceable obligation. The Agency was instructed to place the 1999 Lease Agreement on this ROPS for further review per our February 20, 2013 letter. While Finance has concluded the 1999 Lease Agreement is an enforceable obligation, requesting funding for this item results in a duplicate of other line items on the ROPS. Specifically, Item Nos. 99-112, 116-134, 148-168, 224-230, and 251-254 are related to the 1999 Lease Agreement. Therefore, the line items approved for funding on ROPS 13-14A in accordance with the 1999 Lease Agreement are enforceable, but the funding associated with Item No. 264 is not permitted.

The Agency may request funding for ROPS Item Nos. 102, 119, 129, 165, 253, and 254 on the next ROPS. These represent Item Nos. that were previously denied by Finance related to the 1999 Lease Agreement. Finance will unlock these Item Nos. for the ROPS 13-14B period. Finance will review the enforceability of these obligations once funding is requested.

- Item No. 265 - Finance determined the Industry Business Center 2005 Lease Agreement in the amount of \$172 million is an enforceable obligation in our February 20, 2013 letter. Due to timing differences between the preparation of the ROPS 13-14A and Finance's February 20, 2013 letter, the Oversight Board removed the requested funding associated with the 2005 Lease Agreement, pending further analysis. Now that the 2005 Lease Agreement has been determined to be enforceable, the Agency is requesting Finance reinstate funding for the obligations removed by the Oversight Board.

It is our understanding the ROPS 13-14A line items associated with the 2005 Lease Agreement are Item Nos. 192-223. Because Finance has determined the 2005 Lease Agreement is enforceable, Finance is reinstating expenditure authority for the following obligations which was the original amounts requested by the Agency:

| <b>ITEM #</b> | <b>AMOUNT</b>      |
|---------------|--------------------|
| 192           | \$100,000          |
| 193           | \$435,000          |
| 194           | \$150,000          |
| 196           | \$410,000          |
| 198           | \$20,000           |
| 199           | \$35,000           |
| 200           | \$6,000            |
| 201           | \$45,000           |
| 202           | \$100,000          |
| 208           | \$2,000            |
| 210           | \$1,000            |
| 216           | \$180,000          |
| 223           | \$12,000           |
| <b>TOTAL</b>  | <b>\$1,496,000</b> |

Finance approves funding for the above Item Nos. with the funding source of 'Other' as originally requested. In addition, Finance reserves the right to further review the Item Nos. listed above during subsequent ROPS reviews.

The Agency may request funding for ROPS Item Nos. 205 and 217 on the next ROPS. These represent Item Nos. that were previously denied by Finance related to the 2005 Lease Agreement. Finance will unlock these Item Nos. for the ROPS 13-14B period. Finance will review the enforceability of these obligations once funding is requested.

- ROPS 13-14A requested \$9.5 million in reserve funding for enforceable obligations. Because any unencumbered reserve funding should be remitted to the county auditor controller for distribution to the affected taxing entities as a result of the Other Funds and Account (OFA) Due Diligence Reviews, Finance is changing the funding source to 'Other' funding source. As a result, the total ROPS 13-14A 'Other' funding requested for has increased by an additional \$9.5 million.

Except for items denied in whole or in part as enforceable obligations, Finance is not objecting to the remaining items 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/](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 \$45,819,982 as summarized below:

| <b>Approved RPTTF Distribution Amount</b>                                      |                      |
|--|----------------------|
| <b>For the period of July through December 2013</b>                            |                      |
| Total RPTTF funding requested for obligations                                  | \$ 45,273,082        |
| Minus: Six-month total for items denied or reclassified as administrative cost |                      |
| Item 8   | 300,000              |
| Item 9   | 148,500              |
| Item 20  | 75,000               |
| Total approved RPTTF for enforceable obligations                               | \$ 44,749,582        |
| Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost         | 1,070,400            |
| Minus: ROPS II prior period adjustment   | -                    |
| <b>Total RPTTF approved for distribution:</b>                                  | <b>\$ 45,819,982</b> |

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/](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 Brian Dunham, Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY  
Local Government Consultant

cc: Mr. Dean Yamagata, Contracted Finance Manager, City of Industry  
Ms. Kristina Burns, Manager, Los Angeles County Department of Auditor-Controller  
California State Controller's Office