



May 23, 2013

Mr. Julio Morales, Finance Director
City of Huntington Park
6550 Miles Avenue
Huntington Park, CA 90255

Dear Mr. Morales:

Subject: Recognized Obligation Payment Schedule

This letter supersedes California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS 13-14A) letter dated May 17, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Huntington Park Successor Agency (Agency) submitted a ROPS 13-14A to Finance on February 25, 2013 for the period of July through December 2013. Finance issued its determination related to those enforceable obligations on April 10, 2013. Subsequently, the Agency requested a Meet and Confer session on one or more of the items denied by Finance. The Meet and Confer session was held on April 24, 2013.

Based on a review of additional information and documentation provided to Finance during the Meet and Confer process, Finance has completed its review of the specific item being disputed.

- The Agency's ROPS 13-14A incorrectly listed two separate obligations as Item No. 27. Therefore, the Agency's ROPS 13-14A Item Nos. 27 to 31 have been corrected to reflect the appropriate sequential numbering format as follows:
 - Item No. 27 – Arbitrage Rebate Payment changed to Item No. 28.
 - Item No. 28 – ROPS 13-14A Admin Budget changed to Item No. 29.
 - Item No. 29 – Oversight Board Legal Fees changed to Item No. 30.
 - Item No. 30 – Appraisal Fees changed to Item No. 31.
 - Item No. 31 – Land Sale Costs changed to Item No. 32.

- Item No. 28 – Arbitrage rebate payment in the amount of \$3.4 million. Finance continues to deny this item for Redevelopment Property Tax Trust Fund (RPTTF) funding since the payment is not due to the IRS on or before April 14, 2015 which falls in ROPS 14-15B period. Amount due is a transfer proceeds penalty that resulted from the Huntington Park Public Financing Authority's (Authority) 2004 Refunding Revenue Bonds Series A, issued to refund the Authority's 1994 Taxable Local Agency Parity Revenue Bonds, Series A, B, and C.

The Agency contended that RPTTF will be insufficient to pay the amount due. Since the payment is not due until ROPS 14-15B, the Agency is not permitted to request reserves until ROPS 14-15A pursuant to 34171 (d) (1) (A) which allows the agencies to hold reserves for the following half of the calendar year. Furthermore, the Agency identified

potential options it plans to take to meet this obligation, which included use of sale proceeds from the sale of land, making partial payments before April 2014 or receive a loan from the City. In the subsequent ROPS, should the Agency identify other fund sources to use towards funding a portion of the amount due; the estimated amount should be identified under the "Other" fund source column for this item on the ROPS.

- Item Nos. 1 to 5 – Finance is approving the Agency's request to change the descriptions previously reported for the Project Name, Payee and Description/Scope of Work columns. This change will be reflected on Finance's subsequent ROPS template.

In addition, although the Agency did not contest the following item listed on Finance's ROPS letter dated April 10, 2013, the item has been revised to provide necessary clarification:

- Claimed administrative costs no longer exceed the allowance. HSC section 34171 (b) limits the fiscal year 2013-14 administrative costs to three percent of property tax allocated to the Agency or \$250,000, whichever is greater. As a result the Agency is eligible for \$250,000 for administrative costs during 2013-14. Item numbers 10, 17, 23, and 30 totaling \$50,000 are considered general administrative costs and have been reclassified. Although this reclassification increased administrative costs to \$175,000 for the ROPS 13-14A period, the 2013-14 administrative cost allowance has not been exceeded.

Further, Item Nos. 25 and 27 totaling \$250,000 for unfunded administrative costs for 2012-13 are allowed as enforceable obligations. However, the Agency's request to fund these items from administrative allowance funding is denied, and RPTTF funding is allowed for these items.

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. Obligations deemed not to be enforceable shall be removed from your ROPS. This is Finance's final determination related to the enforceable obligations reported on your ROPS for July through December 2013. Finance's determination is effective for this time period only and should not be conclusively relied on 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 Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is \$4,360,188 as summarized below:

Approved RPTTF Distribution Amount	
For the period of July through December 2013	
Total RPTTF funding requested for obligations	\$ 7,441,335
Add: Funding reclassified to RPTTF	
Item 25	125,000
Item 27	125,000
Minus: Six-month total for items denied or reclassified as administrative cost	
Item 10*	10,000
Item 17*	10,000
Item 23*	10,000
Item 28	3,400,000
Item 30*	20,000
Total approved RPTTF for enforceable obligations	<u>\$ 4,241,335</u>
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost	<u>175,000</u>
Minus: ROPS II prior period adjustment	<u>(56,147)</u>
Total RPTTF approved for distribution:	\$ 4,360,188

*Reclassified as administrative cost

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%2013-14A%20Forms%20by%20Successor%20Agency/).

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)

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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 Beliz Chappuie, Supervisor or Cindie Lor, Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Ms. Fernanda Palacios, Project Manager, City of Huntington Park
Ms. Kristina Burns, Manager, Los Angeles County Department of Auditor-Controller
California State Controller's Office