



April 13, 2013

Ms. Karen Johnston, Assistant Director of Finance  
City of Palmdale  
38300 Sierra Highway, Suite D  
Palmdale, CA 93550

Dear Ms. Johnston:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Palmdale Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14A) to the California Department of Finance (Finance) on February 28, 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.

ROPS 13-14A requested \$2,723,442 in other funding for enforceable obligations, specifically Item Nos. 75 and 158 related to the Transit Village Townhome project. 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 Low and Moderate Income Housing Fund (LMIHF) and Other Funds and Account (OFA) Due Diligence Reviews, Finance is changing the funding source to Redevelopment Property Tax Trust Fund (RPTTF). As a result, the total ROPS 13-14A RPTTF funding requested for enforceable obligations has increased by \$2,723,442 to \$14,716,022.

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. 156 – Reimbursement agreement between the City and the Agency for services rendered totaling \$44 million is not an enforceable obligation at this time. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city that created the RDA and the former RDA are not enforceable, unless issued within two years of the RDA's creation date or for issuance of indebtedness to third-party investors or bondholders. This agreement was issued after the first two years of the former RDA's creation and is not associated with the issuance of debt. Therefore, this item is not enforceable obligation and not eligible for RPTTF funding on the ROPS.
- Item No. 157 – Redevelopment Impact Fee in the amount of \$86 million is not an enforceable obligation. It is our understanding this relates to City ordinance No. 506, adopted by City Council in 1983, charging a four percent fee of the building value of any new construction in the project areas commencing in 1983. However, City Council Resolution 2013-026 enforcing the ordinance was not passed until 2013. Pursuant to

HSC section 34171 (d) (1), this line item does not meet the definition of an enforceable obligation. Further, HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city that created the RDA and the former RDA are not enforceable, unless issued within two years of the RDA's creation date or for issuance of indebtedness to third-party investors or bondholders. Therefore, it is not eligible for RPTTF funding on the ROPS.

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 \$11,616,724 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	\$ 11,992,580
Add: Six-month total for items reclassified as RPTTF:	2,723,442
Minus: Six-month total for items denied or reclassified as administrative cost	
Item 156	1,096,010
Item 157	1,869,565
Total approved RPTTF for enforceable obligations	\$ 11,750,447
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost	285,450
Minus: ROPS II prior period adjustment	(419,173)
<b>Total RPTTF approved for distribution:</b>	<b>\$ 11,616,724</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 Michael Barr, Lead Analyst at (916) 445-1546.

Sincerely,

A handwritten signature in black ink, appearing to read 'Steve Szalay', with a stylized flourish at the end.

STEVE SZALAY  
Local Government Consultant

cc: Mr. Hamed Jones, Budget Manager, City of Palmdale  
Ms. Kristina Burns, Manager, Los Angeles County Department of Auditor-Controller  
California State Controller's Office