



May 17, 2013

Mr. Omar Dadabhoj, Community Development Director
City of Stanton Successor Agency
7800 Katella Avenue
Stanton, CA 90680

Dear Mr. Dadabhoj:

Subject: Recognized Obligation Payment Schedule

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated April 11, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Stanton Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14A) to the California Department of Finance (Finance) on February 25, 2013, for the period of July through December 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 22, 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 items being disputed.

- Item Nos. 46 through 59, and 61 – Various Tina-Pacific Neighborhood Rehabilitation Projects totaling \$18.8 million, including \$4.8 million in 2011 bond proceeds. It is our understanding that contracts for these line items were awarded after June 27, 2011. HSC section 34163 (b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011. Therefore, this item is not an enforceable obligation. Additionally, these line items were denied by Finance on the ROPS for the January through June 2013 period and again through the Meet and Confer process in our letter dated December 18, 2012. Furthermore, in Finance's Housing Asset Transfer Form Letter dated February 25, 2013, the properties were approved for transfer to the Housing Successor Entity. As such, any future costs associated with relocation, demolition, maintenance, management, or construction on the properties is now the responsibility of the Housing Successor Entity. Finance continues to deny these items.

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.

- Item Nos. 13, 26, 27, and 32 – Code Enforcement Prosecution, Palazzo Maintenance, and Unemployment and Workers Compensation Insurance costs totaling \$166,100 were

considered general administrative costs and were reclassified. Finance continues to reclassify Items 13 and 32 as administrative costs, no longer reclassifies Item 27 as an administrative cost, and denies Item 26 as an enforceable obligation. Although this reclassification increased administrative costs to \$165,368, the administrative cost allowance has not been exceeded.

Item 26 is a request for reserves related to maintenance costs. However, ABx1 26 and AB 1484 only allows agencies to maintain reserves in the amount required by indentures, trust indentures, or similar documents governing the issuance of outstanding redevelopment agency bonds as referenced in HSC section 34177 (b). The statute does not currently recognize all anticipated obligations, thus creation of reserves for the maintenance costs are not permissible. Therefore, Item 26 is not an enforceable obligation and not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.

Item 27 is the Agency's share of maintenance costs under a Cost Sharing Agreement with a third party entered into prior to June 27, 2011. Therefore, Item 27 is an enforceable obligation and is eligible for RPTTF funding.

In addition, per Finance's ROPS letter dated April 11, 2013, the following items not disputed by the Agency continue to be denied:

- Item No. 11 – Ampco Contract in the amount of \$700,000. This public works contract is between the City of Stanton (City) and Ampco Contracting. The Agency 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 RPTTF funding.
- Item Nos. 14 and 28 – Various housing obligations totaling \$12,200. HSC section 34176 (a) (1) states if a city, county, or city and county elects to retain the authority to perform housing functions previously performed by a RDA, all rights, powers, duties, obligations, and housing assets shall be transferred to the city, county, or city and county. Since the City assumed the housing functions, the administrative costs associated with these functions are the responsibility of the housing successor. Therefore, these items are not enforceable obligations and not eligible for RPTTF funding. Since funding for Item 14 was requested under the administrative budget, the administrative cost allowance was decreased by \$5,000.
- Item No. 45 – Prior Period Legal Services in the amount of \$60,000. It was determined that an error was made by the Agency; the total amount shown for the 6-month period should be \$40,000; therefore an adjustment in the amount of \$20,000 has been made.
- Item No. 62 – City Option Agreement in the amount of 4.8 million, funded by other funds. HSC section 34163 (e) prohibits the RDA from acquiring real property by any means for any purpose, and HSC section 34163 (f) prohibits the RDA from transferring, assigning, vesting, or delegating any of its assets to any entity. And, the agreement is between the City and the former RDA. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city, county, or city and county that created the RDA and the former RDA are not enforceable obligations. Therefore, this item is not an enforceable obligation.

Additionally, this line item was denied by Finance as an inclusion to the ROPS for the period January through June 2013, and again through the Meet and Confer process in our letter dated December 18, 2012. Finance continues to deny this item.

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is \$1,190,175 as summarized below:

Approved RPTTF Distribution Amount	
For the period of July through December 2013	
Total RPTTF funding requested for obligations	\$ 3,854,560
Minus: Six-month total for items denied or reclassified as administrative cost	
Item 11	350,000
Item 13*	15,000
Item 26	4,000
Item 28	2,000
Item 32*	4,000
Item 45	20,000
Items 46-59	2,403,500
Total approved RPTTF for enforceable obligations	\$ 1,056,060
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost	165,368
Minus: ROPS II prior period adjustment	(35,253)
Total RPTTF approved for distribution:	\$ 1,186,175

*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 that was self-reported by the Agency and the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment. Please refer to the worksheet used by the CAC to determine the audited prior period adjustment for the Agency:

<http://www.dof.ca.gov/redevelopment/ROPS/view.php>

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 Evelyn Suess, Dispute Resolution Supervisor, or Mary Halterman, Analyst, at (916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Mr. Frank Davies, Property Tax Manager, County of Orange
California State Controller's Office