



May 17, 2013

Ms. Christine Londo, Finance Director
City of Walnut
P.O. Box 682
Walnut, CA 91788-0682

Dear Ms. Londo:

Subject: Recognized Obligation Payment Schedule

This letter supersedes California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS 13-14A) letter dated April 12, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Walnut Successor Agency to the Walnut Improvement Agency (Agency) submitted ROPS 13-14A to Finance on February 27, 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 23, 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.

- Item No. 3 – Low and Moderate Income Housing Fund (LMIHF) loan repayment for Supplemental Educational Revenue Augmentation Fund (SERAF) in the amount of \$1.6 million. Finance continues to deny this item. The Agency contends the Walnut Improvement Agency Plan placed a cap of \$4 million on the amount of tax increment the Agency can receive in any year, and therefore, the repayment formula outlined in HSC section 34176 (e) (6) (B) does not apply to the Agency.

However, HSC sections 34176 (e) (6) (B) and 34191.4 (b) only allows repayments to SERAF loans after Finance issues a Finding of Completion. Because Finance has not issued a Finding of Completion to the Agency, this item is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding at this time.

In addition, per Finance's ROPS letter dated April 12, 2013, the following items continue to be denied and were not contested by the Agency:

- Item No. 8 – Although enforceable, auditing fee in the amount of \$4,100 is considered a general administrative cost and has been reclassified. The administrative costs claimed are within the fiscal year administrative cap pursuant to HSC section 34171 (d). However, Finance notes the oversight board has approved an amount that appears excessive, given the number and nature of the other obligations listed in the ROPS. HSC section 34179 (i) requires the oversight board to exercise a fiduciary duty to the

taxing entities. Therefore, Finance encourages the oversight board to apply adequate "oversight" when evaluating the administrative resources required to successfully wind-down the Agency.

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 \$2,935,199 as summarized below:

Approved RPTTF Distribution Amount For the period of July through December 2013	
Total RPTTF funding requested for obligations	\$ 3,187,403
Minus: Six-month total for items denied or reclassified as administrative cost	
Item 3	377,204
Item 8*	4,100
Total approved RPTTF for enforceable obligations	\$ 2,806,099
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost	129,100
Minus: ROPS II prior period adjustment	-
Total RPTTF approved for distribution:	\$ 2,935,199

*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/).

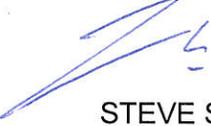
This is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2013. Finance's determination is effective for this time period only and should not be conclusively relied upon for future periods. All items listed on a future ROPS are 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) 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 Nichelle Thomas, Supervisor or Susana Medina Jackson, Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Mr. Tom Weiner, Community Development Director, City of Walnut
Ms. Kristina Burns, Manager, Los Angeles County Department of Auditor-Controller
California State Controller's Office