



November 14, 2013

Mr. Douglas Dumhart, Community Development Director
City of La Palma
7822 Walker Street
La Palma, CA 90623

Dear Mr. Dumhart:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of La Palma Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14B) to the California Department of Finance (Finance) on October 1, 2013 for the period of January through June 2014. Finance has completed its review of your ROPS 13-14B, 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 for the reasons specified:

- Item Nos. 1 and 2 – 1993 and 2001 Tax Allocation Bonds totaling \$703,831. It is our understanding the Agency already received funding for these debt service payments during the ROPS 13-14A period. Therefore, the additional funding requested for this period is not allowed. However, the Agency still requires authorization to spend the funds during the ROPS 13-14B period; therefore, \$312,493 for Item No. 1 and \$391,338 for Item No. 2 have been reclassified as Reserve Funds.
- Item Nos. 3 and 4 – City of La Palma (City) loans totaling \$4,291,236 are not allowed at this time. The Agency received a Finding of Completion on April 18, 2013. As such, the Agency may place loan agreements between the former redevelopment agency and sponsoring entity on the ROPS, as an enforceable obligation, provided the oversight board makes a finding that the loan was for legitimate redevelopment purposes per HSC section 34191.4 (b) (1). However, HSC section 34191.4 (b) (2) (A) specifies loan or deferral repayments shall not be made prior to the 2013-14 fiscal year. While ROPS 13-14B falls within fiscal year 2013-14, the repayment of these City loans is subject to the repayment formula outlined in HSC section 34191.4 (b) (2) (A).

HSC section 34191.4 (b) (2) (A) allows this repayment to be equal to one-half of the increase between the ROPS residual pass-through distributed to the taxing entities in that fiscal year and the ROPS residual pass-through distributed to the taxing entities in the 2012-13 base year. Since the formula does not allow for estimates, the Agency must wait until the ROPS residual pass-through distributions are known for fiscal year

2013-14 before requesting funding for this obligation. Therefore, the Agency may be able to request funding beginning with ROPS 14-15A.

- Claimed administrative costs exceed the allowance by \$5,500. HSC section 34171 (b) limits fiscal year 2013-14 administrative expenses to three percent of property tax allocated to the successor agency or \$250,000, whichever is greater. As a result, the Agency is eligible for \$250,000 in administrative expenses. The Fresno County Auditor-Controller's Office distributed \$125,000 for the July through December 2013 period, thus leaving a balance of \$125,000 available for the January through June 2014 period. Although \$125,000 is claimed for administrative cost, Item Nos. 8 and 11, Professional and Legal Services totaling \$5,500, are considered administrative expenses and should be counted toward the cap. Therefore, \$5,500 of excess administrative cost is not allowed.

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14B form the estimated obligations and actual payments (prior period adjustments) associated with the January through June 2013 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 below table includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment. However, the current approved RPTTF is insufficient to allow for the entire prior period adjustment (PPA) of \$530,268 during this ROPS period. The Agency should apply the remaining funds prior to requesting RPTTF during ROPS for the period July through December 2014 (ROPS 14-15A).

Except for items denied in whole or in part as enforceable obligations or for items that have been reclassified, Finance is not objecting to the remaining items listed on your ROPS 13-14B. If you disagree with the determination with respect to any items on your ROPS 13-14B, 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/

The Agency's maximum approved RPTTF distribution for the reporting period is zero as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2014	
Total RPTTF requested for non-administrative obligations	1,030,139
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations	\$ 1,155,139
Total RPTTF requested for non-administrative obligations	1,030,139
<u>Denied Items</u>	
Item No. 1	(312,493)
Item No. 2	(391,338)
Item No. 3	(95,058)
Item No. 4	(197,200)
	<u>(996,089)</u>
<u>Reclassified Items</u>	
Item No. 8	(500)
Item No. 11	(5,000)
	<u>(5,500)</u>
Total RPTTF approved for non-administrative obligations	28,550
Total RPTTF requested for administrative obligations	125,000
<u>Reclassified Items</u>	
Item No. 8	500
Item No. 11	5,000
	<u>5,500</u>
Total RPTTF for administrative obligations	130,500
Total RPTTF allowable for administrative obligations (see Admin Cost Cap table below)	125,000
Total RPTTF approved for obligations	159,050
Self-Reported ROPS III prior period adjustment	(530,268)
Total RPTTF approved for distribution*	\$ -
Administrative Cost Cap Calculation	
Total RPTTF for 13-14A (July through December 2013)	905,391
Total RPTTF for 13-14B (January through June 2014)	28,550
Total RPTTF for fiscal year 2013-14	933,941
Allowable administrative cost for fiscal year 2013-14 (Greater of 3% or \$250,000)	250,000
Administrative allowance for 13-14A (July through December 2013)	125,000
Allowable RPTTF distribution for administrative cost for ROPS 13-14B	125,000

*Total RPTTF approved for distribution shown as "zero" because the current RPTTF approved amount of \$159,050 is insufficient to fully offset the prior period adjustment of \$530,268.

Please refer to the ROPS 13-14B schedule that was used to calculate the approved RPTTF amount:

[http://www.dof.ca.gov/redevelopment/ROPS/ROPS 13-14B Forms by Successor Agency/.](http://www.dof.ca.gov/redevelopment/ROPS/ROPS%2013-14B%20Forms%20by%20Successor%20Agency/)

Absent a Meet and Confer, this is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2014. This determination applies only to items where funding was requested for the six month period. 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 HSC section 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 Alex Watt, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Assistant Program Budget Manager

cc: Mr. Michael Solorza, Finance Director, City of La Palma
Mr. Frank Davies, Property Tax Manager, Orange County
California State Controller's Office