



December 17, 2013

Ms. Armine Chaparyan, Redevelopment Manager
City of Santa Clarita
23920 Valencia Boulevard, Suite 300
Santa Clarita, CA 91355

Dear Ms. Chaparyan:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated November 13, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Santa Clarita Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14B) to Finance on September 30, 2013, for the period of January through June 2014. Finance issued a ROPS determination letter on November 13, 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 November 27, 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.

- Prior Period Adjustment (PPA) for July through December 2012 (ROPS II) in the amount of \$125,000. The Los Angeles County Auditor Controller performed a review of the Agency's ROPS II expenditures pursuant to HSC section 34186 (a) and determined that the Agency did not follow the priority of payments as required in HSC section 34183 (a)(2). HSC section 34183 (a)(2) explicitly requires debt service payments to be made first, followed by revenue bonds (to the extent revenues are insufficient to cover the payments due), and all other obligations, if sufficient RPTTF funding remains. The CAC reported the Agency had used Redevelopment Property Tax Trust Funds (RPTTF), to pay the Agency's administrative expenses instead of paying bond debt service.

During the Meet and Confer, the Agency requested to off-set the prior PPA by \$125,000 for administrative costs that were not funded during the ROPS II period. However, Finance determined that the Agency has not provided sufficient documentation to prove that this obligation has gone unpaid. Therefore, Finance does not approve additional RPTTF to offset the ROPS II PPA.

In addition, per Finance's letter dated November 13, 2013, we continue to deny the following items not contested by the Agency during the Meet and Confer:

- Item Nos. 33 and 34 – ERAF repayment in the total amount of \$101,510 is not allowed at this time. HSC section 34176 (e) (6) (B) specifies loan or deferral shall not be made prior to the 2013-14 fiscal year. While ROPS 13-14B technically falls within fiscal year 2013-14, the repayment of these deferred amounts is subject to the repayment formula outlined in HSC section 34176 (e) (6) (B).

HSC section 34176 (e) (6) (B) 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 for the repayment of housing deferred set-aside loans beginning with ROPS 14-15A.

- Claimed administrative costs exceed the allowance by \$125,000. HSC section 34171 (b) limits the fiscal year 2013-2014 administrative expenses to three percent of property tax allocated to the Agency or \$250,000, whichever is greater. The Los Angeles Auditor-Controller's Office distributed \$125,000 administrative costs for the July through December 13-14A period, thus leaving a balance of \$125,000 available for the January through June 13-14B period. Although \$250,000 is claimed for administrative cost, only \$125,000 is available pursuant to the cap. Therefore, \$125,000 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 table below includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

Except for items denied in whole or in part as enforceable obligations, Finance is not objecting to the remaining items listed on your ROPS 13-14B. The Agency's maximum approved RPTTF distribution for the reporting period is \$1,443,691 as summarized on next page:

Approved RPTTF Distribution Amount For the period of January through June 2014	
Total RPTTF requested for non-administrative obligations	1,318,691
Total RPTTF requested for administrative obligations	250,000
Total RPTTF requested for obligations	\$ 1,568,691
Total RPTTF approved for non-administrative obligations	1,318,691
Total RPTTF for administrative obligations	250,000
Total RPTTF allowable for administrative obligations (see Admin Cost Cap table below)	125,000
Total RPTTF approved for obligations	1,443,691
ROPS III prior period adjustment	0
Total RPTTF approved for distribution	\$ 1,443,691
Administrative Cost Cap Calculation	
Total RPTTF for 13-14A (July through December 2013)	733,000
Total RPTTF for 13-14B (January through June 2014)	1,318,691
Total RPTTF for fiscal year 2013-14	2,051,691
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

Pursuant to HSC section 34177 (l) (1) (E), agencies are required to use all available funding sources prior to RPTTF for payment of enforceable obligations. Beginning with the ROPS 13-14B period, Finance required successor agencies to identify fund balances for various types of funds in its possession. During our ROPS 13-14B review, Finance requested financial records to support the fund balances reported by the Agency; however, Finance was unable to reconcile the financial records to the amounts reported. As a result, Finance will continue to work with the Agency after the ROPS 13-14B review period to properly identify the Agency's fund balances. If it is determined the Agency possesses fund balances that are available to pay approved obligations, the Agency should request the use of these fund balances prior to requesting RPTTF in ROPS 14-15A.

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/.

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 section 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 Evelyn Suess, Dispute Resolution Supervisor, or Derk Symons, Analyst, at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Assistant Program Budget Manager

cc: Ms. Carmen Magana, Finance Manager, City of Santa Clarita
Ms. Kristina Burns, Manager, Los Angeles County Department of Auditor-Controller
California State Controller's Office