



April 1, 2014

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 14-15A) to the California Department of Finance (Finance) on March 13, 2014 for the period of July through December 2014. Finance has completed its review of your ROPS 14-15A, 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. 3 and 4 – City of La Palma (City) loan repayments totaling \$344,795 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 (RDA) and sponsoring entity on the ROPS, as an enforceable obligation, provided the oversight board makes a finding the loan was for legitimate redevelopment purposes per HSC section 34191.4 (b) (1). Additionally, HSC section 34191.4 (b) (2) (A) specifies this repayment to be equal one-half of the increase between the ROPS residual pass-through distributed to the taxing entities in the fiscal year 2012-13 base year.

According to the Orange County Auditor-Controller's report, the ROPS residual pass-through amount distributed to the taxing entities for fiscal year 2012-13 and 2013-14 are \$1,395,753 and \$1,269,027, respectively. Pursuant to the repayment formula outlined in HSC section 34191.4 (b) (2) (A), the maximum repayment amount authorized for fiscal year 2014-15 is \$0. Therefore, these loan repayments are not eligible for funding on this ROPS. The Agency may be eligible for additional funding beginning ROPS 15-16A.

- Item No. 7 – Annual External Audit costs in the amount of \$7,000. Although enforceable, this type of service is considered a general administrative cost and has been reclassified.

- Item No. 15 – 1999 Ground Lease Agreement in the amount of \$4,840,000. It is our understanding the property associated with this item has been transferred to the City following Finance's review of the Housing Asset Transfer (HAT). Therefore, this item is no longer an obligation of the Agency and is not eligible for RPTTF funding.

During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should be used prior to requesting. Pursuant to HSC section 34177 (l) (1) (E), RPTTF may be used as a funding source, but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation.

Therefore, the funding source for the following items have been reclassified to Reserve Balances and in the amounts specified below:

- Item Nos. 1, 2, and 9 – Various obligations in the amount of \$149,677. It is our understanding the total RPTTF approved for enforceable obligations for the January through June 2014 period (ROPS 13-14B) was \$159,050. In addition, the January through June 2013 (ROPS III) prior period adjustment (PPA) applicable to the ROPS 13-14B period was \$530,268. As a result, an excess PPA of \$371,218 remains available for funding enforceable obligations and is available for use in the ROPS 14-15A period as a Reserve Balance. Therefore, Finance is approving the use of Reserve Balances in the amount of \$149,677 for these obligations.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 14-15A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2013 period. The amount of RPTTF approved in the table below includes the prior period adjustment self-reported by the Agency. HSC section 34186 (a) also specifies prior period adjustments self-reported by successor agencies are subject to audit by the county auditor-controller (CAC) and the State Controller. Any proposed CAC adjustments were not received in time for inclusion in this letter. Therefore, the amount of RPTTF approved in the table below only includes the prior period adjustment self-reported by the Agency.

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 14-15A. If you disagree with the determination with respect to any items on your ROPS 14-15A, 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 \$130,500 as summarized below:

Approved RPTTF Distribution	
For the period of July through December 2014	
Total RPTTF requested for non-administrative obligations	611,472
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations	\$ 736,472
Total RPTTF requested for non-administrative obligations	611,472
<u>Denied Items</u>	
Item No. 3	(212,142)
Item No. 4	(132,653)
Item No. 15	(110,000)
	(454,795)
Total RPTTF for non-administrative obligations	156,677
<u>Cash Balances - Items reclassified to other funding sources</u>	
Item No. 1	(49,715)
Item No. 2	(93,362)
Item No. 7	(7,000)
Item No. 9	(6,600)
	(156,677)
Total RPTTF authorized for non-administrative obligations	\$ -
Total RPTTF requested for administrative obligations	125,000
<u>Reclassified Item</u>	
Item No. 7	7,000
	132,000
Total RPTTF authorized for administrative obligations	\$ 132,000
Total RPTTF authorized for obligations	\$ 132,000
ROPS 13-14A prior period adjustment	(1,500)
Total RPTTF approved for distribution	\$ 130,500

Please refer to the ROPS 14-15A schedule that was used to calculate the approved RPTTF amount:

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

Absent a Meet and Confer, this is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2014. This determination only applies 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

Mr. Douglas Dumhart
April 1, 2014
Page 4

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 Alexander 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