DEPARTMENT OF FINANCE

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October 17, 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 La Palma Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15B) to the California Department of Finance (Finance) on September 3, 2014 for the period January 1 through June 30, 2015. Finance has completed its review of your ROPS 14-15B, which may have included obtaining clarification for various items.

Based on a sample of line items reviewed and application of the law, Finance made the following determinations:

- Item No. 18 – Low and Moderate Income Housing Fund (LMIHF) Due Diligence Review (DDR) Overpayment in the amount of $188,112 is not allowed. It is our understanding that this item relates to the Agency's overpayment of their LMIHF DDR. However, this item does not qualify as an enforceable obligation as defined by HSC section 34171 (d) (1). Finance has issued a revised LMIHF DDR determination letter, dated September 24, 2014. The revised LMIHF DDR determination letter addressed this matter.

- Claimed administrative costs exceed the allowance by $7,000. HSC section 34171 (b) limits the fiscal year 2014-2015 administrative expenses to three percent of property tax allocated to the Agency or $250,000, whichever is greater. The Orange County Auditor-Controller's Office distributed $132,000, thus leaving a balance of $118,000 available for the January through June 2015 period. Although $125,000 is claimed for administrative cost, only $118,000 is available pursuant to the cap. Therefore, $7,000 of excess administrative cost is not allowed.

During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should be used prior to requesting Redevelopment Property Tax Trust Funds (RPTTF). 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. The Agency provided financial records that displayed available Other Balances totaling $54.

Therefore, with the Agency's concurrence, the funding source for the following item has been reclassified to Other Funds and in the amount specified below:

- Item No. 9 – Tax Allocation Bond (TAB) Fees in the amount of $7,500. The Agency requested $7,500 from RPTTF; however, Finance is reclassifying $54 to Other Funds. This item is an enforceable obligation for the ROPS 14-15B period. However, the obligation does not require payment from property tax revenues and the Agency has $54 in available Other Funds. Therefore, Finance is approving RPTTF in the amount of $7,446 and Other Funds in the amount of $54.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 14-15B form the estimated obligations and actual payments (prior period adjustments) associated with the January through June 2014 period. The amount of RPTTF approved in the table below reflects 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. Proposed CAC adjustments were not received in time for inclusion in this letter; therefore, the amount of RPTTF approved in the table below only reflects the prior period adjustment self-reported by the Agency.

On the ROPS 13-14B Prior Period Adjustment worksheet, the Agency's expenditures exceeded Finance's authorization for the following items:

- Item No. 9 – TAB Fees, in the amount of $300 in Other Funds

Per HSC section 34177 (a) (3), only those payments listed on ROPS may be made by the Agency from the funds specified on the ROPS. However, these items were determined to be enforceable obligations for the ROPS 14-15B period. Therefore, Finance is increasing the Agency's authorization for the ROPS 14-15B period to ensure that authorization is consistent with expenditures for the approved enforceable obligations. As these Other Funds were previously expended, the increase in authorization should not result in increased expenditures, but should merely allow the Agency to reconcile actual expenditures to the authorization.

Except for the item denied in whole or in part, Finance is not objecting to the remaining items listed on your ROPS 14-15B. If you disagree with the determination with respect to any items on your ROPS 14-15B, 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 $826,564 as summarized in the Approved RPTTF Distribution Table below:

Approved RPTTF Distribution For the period of January through June 2015		
Total RPTTF requested for non-administrative obligations		913,690
Total RPTTF requested for administrative obligations		125,000
Total RPTTF requested for obligations on ROPS	**$**	**1,038,690**
Total RPTTF requested for non-administrative obligations		**913,690**
Denied Item		
Item No. 18		(188,112)
		(188,112)
Reclassified Item		
Item No. 9		(54)
		(54)
Total RPTTF authorized for non-administrative obligations	**$**	**725,524**
Total RPTTF requested for administrative obligations		**125,000**
Administrative costs in excess of the cap (see Admin Cost Cap table below)		(7,000)
Total RPTTF authorized for administrative obligations	**$**	**118,000**
Total RPTTF authorized for obligations	**$**	**843,524**
ROPS 13-14B prior period adjustment		(16,960)
Total RPTTF approved for distribution	**$**	**826,564**

Administrative Cost Cap Calculation		
Total RPTTF for 14-15A (July through December 2014)		219,743
Total RPTTF for 14-15B (January through June 2015)		725,524
Less approved unfunded obligations from prior periods		-
Total RPTTF for fiscal year 2014-2015		**945,267**
Allowable administrative cost for fiscal year 2014-15 (Greater of 3% or $250,000)		250,000
Administrative allowance for 14-15A (July through December 2014)		132,000
Allowable RPTTF distribution for administrative cost for ROPS 14-15B		**118,000**
Total RPTTF administrative obligations after Finance adjustments		125,000
Administrative costs in excess of the cap	**$**	**7,000**

Please refer to the ROPS 14-15B 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 January 1 through June 30, 2015. 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 the 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 agency in the RPTTF.

Pursuant to HSC section 34177 (a) (3), only those payments listed on an approved ROPS may be made by the successor agency from the funds specified in the ROPS. However, if for whatever reason the Agency needs to make payments for approved obligations from another funding source, HSC section 34177 (a) (4) requires the Agency to first obtain oversight board approval.

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
Acting 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