DEPARTMENT OF FINANCE

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April 1, 2016

Ms. Karen Johnston, Assistant Director of Finance
City of Palmdale
38300 Sierra Highway, Suite D
Palmdale, CA 93550

Dear Ms. Johnston:

Subject: 2016-17 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Palmdale Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule for the period July 1, 2016 through June 30, 2017 (ROPS 16-17) to the California Department of Finance (Finance) on January 27, 2016. Finance has completed its review of the ROPS 16-17.

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

- Item No. 59 – Property assessments in the ROPS 16-17 amount of $70,000 is partially allowed. The Agency provided invoices from July 2015 to December 2015 totaling $25,358 for the six-month period relating to fees associated the with the Antelope Valley Auto Center lot. While the invoices may vary, the two highest consecutive invoices totaled $9,369. Given the varying invoices, the annual amount should not exceed $56,214; therefore, of the $35,000 of Redevelopment Property Tax Trust Fund (RPTTF) requested for each ROPS period, $28,107 is allowable and the excess $6,893 is not enforceable and not eligible for RPTTF funding.

- Item Nos. 160 through 162 – Property disposition costs related to Commission Charges, Title Fees, and Escrow Services in the amount of $208,000 have been reclassified to Other Funds. While these costs are enforceable, they do not require payment from property tax revenues and can be funded with proceeds from sale of property. Therefore, Finance is reclassifying the $58,000 requested for the ROPS 16-17 period to Other Funds.

- Item No. 164 – Consultant fees for HSC section 33433 reporting in the amount of $10,000 for the ROPS 16-17 period is not allowed. Pursuant to HSC section 34191.3, the approved Long-Range Property Management Plan supersedes all other provisions related to the disposition and use of Agency real property assets. Therefore, the HSC section 33433 reporting requirement is no longer necessary. As such, the Agency requested to decrease the funding to zero. In addition, the Agency requested to retire the obligation.

- Item No. 169 – Housing Entity Administrative Cost Allowance in the outstanding amount of $150,000 continues to be denied. Pursuant to HSC section 34171 (p), the housing successor administrative cost allowance is applicable only in cases where the city,

county, or city and county that authorized the creation of the redevelopment agency elected to not assume the housing functions. Because the housing successor to the former redevelopment agency of the City of Palmdale (City) is the City-formed Housing Authority (Authority) and the Authority operates under the control of the City, the Authority is considered the City under Dissolution Law pursuant to HSC section 34167.10. Therefore, $150,000 of housing successor administrative allowance is not allowed.

- The claimed administrative costs exceed the allowance by $38,525. HSC section 34171 (b) (3) limits the fiscal year 2016-17 Administrative Cost Allowance (ACA) to three percent of actual distributed RPTTF in the preceding fiscal year or $250,000, whichever is greater; not to exceed 50 percent of the distributed RPTTF in the preceding fiscal year. As a result, the Agency's maximum ACA is $353,275 for the fiscal year 2016-17.

  Although $353,000 is claimed for administrative cost, Item Nos. 38 and 39 for Property Tax consulting services in the amount of $38,800 is considered an administrative cost and should be counted toward the cap. Therefore, $38,525 of excess administrative cost allowance is not allowed.

- On the ROPS 16-17 form, the Agency reported cash balances and activity for the period of July 1, 2015 through June 30, 2016. 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. During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should be used prior to requesting RPTTF. 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. 50 – Sales tax reimbursement per DDA in the amount of $120,000 for the ROPS 16-17 period. The Agency requests $60,000 of RPTTF for the ROPS A period; however, Finance is reclassifying $22,565 to Other Funds. This item is an enforceable obligation. However, the obligation does not require payment from property tax revenues. Therefore, Finance is approving RPTTF in the amount of $37,435 and the use of Other Funds in the amount of $22,565, totaling $60,000 for the ROPS A period.

Except for the items denied in whole or in part or the items that have been adjusted, Finance is not objecting to the remaining items listed on your ROPS 16-17. If you disagree with Finance's determination with respect to any items on your ROPS 16-17, except for those items which are the subject of litigation disputing Finance's previous or related determinations, 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 $17,276,228 as summarized in the Approved RPTTF Distribution Table on Pages 4 (See Attachment).

ROPS distributions will occur twice annually, one distribution for the ROPS A period, and one distribution for the ROPS B period based on Finance's approved amounts. Since Finance's

determination is for the entire ROPS 16-17 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

On the ROPS 16-17 form, the Agency was not required to report the estimated obligations versus actual payments (prior period adjustment) associated with the July 1, 2015 through December 31, 2015 period (ROPS 15-16A). The Agency will report actual payments for ROPS 15-16A and ROPS 15-16B on the ROPS 18-19 form pursuant to HSC section 34186 (a) (1). A prior period adjustment will be applied to the Agency's future RPTTF distribution. Therefore, the Agency should retain any difference in unexpended RPTTF.

Please refer to the ROPS 16-17 schedule used to calculate the total RPTTF approved for distribution:

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

Absent a Meet and Confer, this is Finance's determination related to the enforceable obligations reported on your ROPS for the period July 1, 2016 through June 30, 2017. This determination only applies to items when funding was requested for the 12-month period. Finance's determination is effective for this time period only and should not be conclusively relied upon for future ROPS periods. All items listed on a future ROPS are subject to review and may be denied even if it was not denied on this ROPS or a preceding ROPS. The only exception is for items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). Finance's review of Final and Conclusive items 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 available prior to the enactment of the redevelopment dissolution statutes. 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.

Please direct inquiries to Kylie Oltmann, Supervisor, or Zuber Tejani, Lead Analyst at (916) 445-1546.

Sincerely,

JUSTYN HOWARD
Program Budget Manager

cc: Mr. Hamed Jones, Budget Manager, City of Palmdale
Ms. Kristina Burns, Manager, Department of Auditor-Controller, Los Angeles County

Attachment

Approved RPTTF Distribution For the period of July 2016 through June 2017	ROPS A Period	ROPS B Period	Total
Requested RPTTF (excluding administrative obligations)	$ 9,749,035	$ 7,617,069	$ 17,366,104
Requested Administrative RPTTF	177,000	176,000	353,000
Total RPTTF requested for obligations on ROPS 16-17	**9,926,035**	**7,793,069**	**$ 17,719,104**
Adjustment to Agency Requested RPTTF	(5,000)	(5,000)	(10,000)
Adjustment to Agency Requested Administrative RPTTF	0	0	0
Total RPTTF adjustments	**(5,000)**	**(5,000)**	**$ (10,000)**
Total RPTTF requested	9,744,035	7,612,069	17,356,104
Denied Items			
Item No. 59	(6,893)	(6,893)	(13,786)
Item No. 169	(150,000)	0	(150,000)
	(156,893)	(6,893)	(163,786)
Reclassified Items			
Item No. 38	(2,400)	(2,400)	(4,800)
Item No. 39	(17,000)	(17,000)	(34,000)
Item No. 50	(22,565)	0	(22,565)
Item No. 160	(30,000)	(120,000)	(150,000)
Item No. 161	(10,000)	(25,000)	(35,000)
Item No. 162	(8,000)	(15,000)	(23,000)
	(89,965)	(179,400)	(269,365)
Total RPTTF authorized	**9,497,177**	**7,425,776**	**$ 16,922,953**
Total Administrative RPTTF requested	**177,000**	**176,000**	**353,000**
Reclassified Items			
Item No. 38	2,400	2,400	4,800
Item No. 39	17,000	17,000	34,000
Total Administrative RPTTF after Finance adjustments	196,400	195,400	391,800
Administrative costs in excess of the cap (see Administrative Cost Allowance Cap table below)	0	(38,525)	(38,525)
Total Administrative RPTTF authorized	**196,400**	**156,875**	**$ 353,275**
Total RPTTF approved for distribution	**9,693,577**	**7,582,651**	**$ 17,276,228**

Administrative Cost Allowance Cap Calculation	
Actual RPTTF distributed for fiscal year 2015-16	$ 12,150,834
Less sponsoring entity loan and Administrative RPTTF	375,000
Actual RPTTF distributed for 2015-16 after adjustment	11,775,834
Administrative Cap for 2016-17 per HSC section 34171 (b)	353,275
ROPS 16-17 Administrative RPTTF after Finance adjustments	391,800
Administrative Cost Allowance in excess of the cap	**$ (38,525)**