



May 25, 2012

Bryan Cook
Assistant City Manager/Director of Finance
City of South Gate
8650 California Avenue
South Gate, CA 90280-3075

Dear Mr. Cook:

The Department of Finance (Finance) reviewed the City of South Gate (City) Successor Agency Recognized Obligation Payment Schedule (ROPS), submitted on April 30, 2012 for the periods January through June 2012 and July through December 2012 pursuant to Health and Safety Code section 34179 (h). Finance is assuming oversight board approval. In Finance's letter dated May 11, 2012, we questioned the following items:

January through June 2012 ROPS

- Item Nos. 3 and 4 – Loan for \$3,062,595 and City Advance for \$3,031,933.
- Item No. 5 – 2002 Certificate of Participation (COP) Series A and B of \$25,342,688.
- Item Nos. 10 through 20 – Administrative Expenses of \$584,265.
- Item No. 21 – Environmental Cleanup of \$500,000.
- Item No. 22 – Bonds and COPs Reserves of \$4,221,208.

July through December 2012 ROPS

- Item Nos. 3 and 4 – Loan for \$3,062,595 and City Advance for \$3,031,933.
- Item No. 5 – 2002 COP Series A and B of \$25,342,688.
- Item Nos. 10 through 20 – Administrative expenses of \$463,805.
- Item No. 21 – Environmental Cleanup of \$500,000.
- Item No. 22 – Bonds and COPs Reserves of \$4,221,208.

On May 18, 2012, the City provided additional documents in support of Item No. 5, 2002 COP Series A and B. Consequently, Item No. 5 has been determined to be an Enforceable Obligation. We are no longer questioning that line item. Further, the City agreed to remove line items 3, 4, 21 and 22, and will reduce the administrative costs by \$584,265 for January through June 2012 ROPS and \$463,805 for July through December 2012 ROPS.

The revised ROPS for the two periods were received on May 21, 2012; again Finance is assuming oversight board approval, to effect the changes accordingly as agreed. Item Nos. 4, 21 and 22 were removed off the ROPS. And the administrative costs were reduced to allowable amounts. However, the City did not remove Item No. 3 for the city loan of \$3,062,595 on the revised ROPS. The redevelopment agency (RDA) was established in 1973; the city loan was made in 1999. HSC section 34171 (d) (2) states that loans between the entity that created the RDA and the former RDA are only enforceable if made within the first two years of the RDA's existence. Therefore, Item No. 3 is not an EO and Finance is questioning this line item.

Except for items disallowed in whole or in part as EOs noted above, Finance is approving the remaining items listed in your ROPS for both periods. This is our determination with respect to any items funded from the Redevelopment Property Tax Trust Fund (RPTTF) for the June 1, 2012 property tax allocations. If your oversight board disagrees with our determination with respect to any items not funded with property tax, any future resolution of the disputed issue may be accommodated by amending the ROPS for the appropriate time period. Items not questioned during this review are subject to a subsequent review, if they are included on a future ROPS. If an item included on a future ROPS is not an enforceable obligation, Finance reserves the right to remove that item from the future ROPS, even if it was not removed from the preceding ROPS.

Please refer to Exhibit 12 at http://www.dof.ca.gov/assembly_bills_26-27/view.php for the amount of RPTTF that was approved by Finance based on the schedule submitted.

As you are aware the amount of available RPTTF is the same as the property tax increment that was available prior to ABx1 26. 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 in the RPTTF.

Please direct inquiries to Chikako Takagi-Galamba, Supervisor or Cindie Lor, Lead Analyst at (916) 322-2985.

Sincerely,



MARK HILL
Program Budget Manager

cc: Mr. George Troxcil, City Manager, City of South Gate
Mr. Steve Lefever, Community Development Director, City of South Gate
Ms. Nellie Ruiz, City Staff Senior Accountant, City of South Gate
Mr. Raul Salinas, City Attorney, City of South Gate
Ms. Kristina Burns, Program Specialist III, Office of the Los Angeles County Auditor
Mr. Jim Simon, City Consultant, RSG, Inc.
Ms. Jane Carlson, Consultant, RSG, Inc.
Ms. Celeste Brady, Successor Agency Counsel, Stradling, Yocca, Carlson & Rauth, P.C.