



May 31, 2012

Dennis Swink, City Controller  
City of West Covina  
1444 West Garvey Avenue  
West Covina, CA 91790

Dear Mr. Swink:

Subject: Recognized Obligation Payment Schedule Approval Letter

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the City of West Covina Successor Agency submitted Recognized Obligation Payment Schedules (ROPS) to the California Department of Finance (Finance) on April 24, 2012 for the periods January to June 2012 and July to December 2012. Finance is assuming appropriate oversight board approval. Finance has completed its review of your ROPS, which may have included obtaining clarification for various items.

This letter supersedes Finance's letter dated May 3, 2012 wherein we questioned certain line items. Except for the following items disallowed in whole or in part as enforceable obligations, Finance is approving the remaining items listed in your ROPS for both periods.

HSC section 34171 (d) lists enforceable obligation (EO) characteristics. Based on a sample of line items reviewed and application of the law, the following do not qualify as EOs:

January to June 2012 ROPS:

- Line item 15 – Housing Set Aside in the amount of \$1.8 million. The requirement to set aside 20 percent of redevelopment agency (RDA) tax increment for low and moderate income housing purposes ended with the passing of the redevelopment dissolution legislation. HSC section 34177 (d) requires that all unencumbered balances in the Low and Moderate Income Housing Fund be remitted to the county auditor controller for distribution to the taxing entities.
- Line items 21 through 25 – Loans payable to the City of West Covina totaling \$60.9 million. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city that created the RDA and the former RDA are not enforceable unless the loan agreements were entered into within the first two years of the date of the creation of the RDA.
- Administrative cost claimed exceeds allowance by \$1.6 million. HSC section 34171 (b) limits the 2011-12 administrative cost allowance to five percent of the property tax allocated to the successor agency or \$250,000, whichever is greater. Five percent of the property tax allocated to West Covina Successor Agency in January through June

2012 is approximately \$292,805 and is therefore the maximum administrative cost allowance.

July to December 2012 ROPS:

- Line item 14 – County Tax Collection Services in the amount of \$9.1 million. The county auditor deducts the collection fees prior to disbursement of the tax allocation funds.
- Line items 20 through 23 – Loans payable to the City of West Covina totaling \$52.2 million. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city that created RDA and the former RDA are not enforceable unless the loan agreements were entered into within the first two years of the date of the creation of the RDA.
- Administrative cost claimed exceeds allowance by \$1.1 million. HSC section 34171 (b) limits the 2012-13 administrative cost allowance to three percent of the property tax allocated to the successor agency or \$250,000, whichever is greater. Three percent of the property tax allocated to West Covina Successor Agency in July through December 2012 is approximately \$161,247. Therefore, the administrative cost allowance is \$250,000.

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](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 Evelyn Suess, Supervisor or Michael Barr, Lead Analyst at (916) 322-2985.

Sincerely,



MARK HILL  
Program Budget Manager

cc: Mr. Thomas Bachman, Assistant City Manager/Finance Director, City of West Covina  
Ms. Kristina Burns, Program Specialist III, Los Angeles County