DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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December 18, 2012

Mr. Jerry Schwartz, Economic Development Manager
City of Arcadia
240 West Huntington Drive
Arcadia, CA 91065

Dear Mr. Schwartz:

Subject: Recognized Obligation Payment Schedule

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated October 18, 2012. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Arcadia Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on September 4, 2012 for the period of January 1 through June 30, 2013. Finance issued its determination related to those enforceable obligations on October 18, 2012. Subsequently, the Agency requested a Meet and Confer session on one or more of the items denied by Finance. The Meet and Confer session was held on Wednesday, November 21, 2012.

Based on a review of additional information and documentation provided to Finance during the Meet and Confer process, Finance has completed its review of the items being disputed.

- Items Nos. 3, 4, and 5, totaling $125,000 were reclassified as administrative costs – Finance continues to reclassify these items as administrative costs. The Agency contends the items are enforceable obligations because HSC Section 34177.3 (b) allows for the work of winding down the redevelopment agency to be enforceable obligations. Specifically, the Agency contends Item 4 is an enforceable obligation because it is related to employee costs associated with projects. However, the Agency cannot identify how much of the employee costs would be associated with specific projects. Furthermore, none of these items fall into any of the following categories that are specifically excluded from the administrative cap as defined by HSC section 34171 (b):

    - Any litigation expenses related to assets or obligations.
    - Settlements and judgments.
    - The costs of maintaining assets prior to disposition.
    - Employee costs associated with work on specific project implementation activities, including, but not limited to, construction inspection, project management, or actual construction, shall be considered project-specific costs.

  In future ROPS, employee costs associated with work on specific project implementation activities should be identified as separate line items from the general employee costs associated with administrative or wind down activities.

The Agency's maximum approved RPTTF distribution for the reporting period is: $2,813,143 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2013		
Total RPTTF funding requested for obligations	$	2,813,143
Less: Six-month total for item(s) reclassified* as administrative cost		
Item No. 3*		87,907
Item No. 4*		10,000
Item No. 5*		27,093
Total approved RPTTF for enforceable obligations	$	2,688,143
Plus: Allowable RPTTF distribution for administrative cost for ROPS III		125,000
Total RPTTF approved:	$	2,813,143

* Reclassified as administrative cost

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS III form the estimated obligations and actual payments associated with the January through June 2012 period. The amount of RPTTF approved in the above table will be adjusted by the county auditor-controller to account for differences between actual payments and past estimated obligations. Additionally, these estimates and accounts are subject to audit by the county auditor-controller and the State Controller.

The amount available from the RPTTF is the same as the 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 ROPS with property tax is limited to the amount of funding available to the successor agency in the RPTTF.

Except for items disallowed as noted above, Finance is not objecting to the remaining items listed in your ROPS III. Obligations deemed not to be enforceable shall be removed from your ROPS. This is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2013. 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 questioned on this ROPS or a preceding ROPS.

Please direct inquiries to Evelyn Suess, Dispute Resolution Supervisor, or Mary Halterman, Analyst, at (916) 445-1546.

Sincerely,

Steve Szalay
Local Government Consultant

cc: Ms. Shannon Huang, Financial Services Director and City Treasurer, City of Arcadia
Ms. Kristina Burns, Manager, Los Angeles County Auditor-Controller's Office
California State Controller's Office