



December 18, 2012

Ms. Justine Menzel, Deputy Executive Director
City of Artesia
18747 Clarkdale Avenue
Artesia, CA 90701

Dear Ms. Menzel:

Subject: Recognized Obligation Payment Schedule

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated October 15, 2012. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Artesia Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on August 31, 2012 for the period of January 1 through June 30, 2013. Finance issued its determination related to those enforceable obligations on October 15, 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 November 20, 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 specific item being disputed.

- Item No. 5 – City advance and reimbursement agreements totaling \$8.2 million of bond proceeds. Finance denied the item as HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city that created the redevelopment agency (RDA) and the former RDA are not enforceable, unless issued within two years of the RDA's creation date or for issuance of indebtedness to third-party investors or bondholders. While we understand the unique situation the Agency faces, Finance continues to deny the item at this time since the agreement is between the City of Artesia and the former RDA. However, per HSC section 34191.4 (b), upon obtaining a Finding of Completion from Finance, loan agreements entered into between the RDA and the city, county, or city and county that created the RDA shall be deemed to be enforceable obligations provided the oversight board makes a finding the loan was for legitimate redevelopment purposes. In addition, successor agencies will be eligible to expend bonds issued prior to January 1, 2011, once a finding of completion is received per HSC section 34191.4 (c). Those obligations should be reported on a subsequent ROPS.

In addition, per Finance's ROPS letter dated October 15, 2012, the following continues to be effective:

- Claimed administrative costs exceed the allowance by \$81,679. HSC section 34171 (b) limits the fiscal year 2012-13 administrative expenses to three percent of property tax allocated to the Agency or \$250,000, whichever is greater. As a result, the Agency is eligible for \$250,000 for administrative expenses. The Los Angeles Auditor Controller's Office distributed \$103,412 of administrative costs for the July through December 2012 period, thus leaving a balance of \$146,588 available for the January through June 2013 period. Although \$228,267 is claimed for administrative cost, only \$146,588 is available pursuant to the cap. Therefore, \$81,679 of excess administrative cost is not allowed.

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is: \$782,116 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2013	
Total RPTTF funding requested for obligations	\$ 635,528
Less: Six-month total for item(s) denied or reclassified as administrative cost	0
Total approved RPTTF for enforceable obligations	\$ 635,528
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	146,588
Total RPTTF approved:	\$ 782,116

Administrative Cost Calculation	
Total RPTTF for the period July through December 2012	\$ 465,837
Total RPTTF for the period January through June 2013	635,528
Total RPTTF for fiscal year 2012-13:	\$ 1,101,365
Allowable administrative cost for fiscal year 2012-13 (Greater of 3% or \$250,000)	250,000
Administrative allowance for the period of July through December 2012	103,412
Allowable RPTTF distribution for administrative cost for ROPS III:	\$ 146,588

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.

Ms. Justine Menzel
December 18, 2012
Page 3

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

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Ms. Maria Dadian, Executive Director, City of Artesia
Ms. Kristina Burns, Tax Division Manager, Los Angeles County Auditor-Controller
California State Controller's Office