



December 18, 2012

Mr. Kurt Christiansen, Economic and Community Development Director
City of Azusa
213 East Foothill Boulevard
Azusa, CA 91702

Dear Mr. Christiansen:

Subject: Recognized Obligation Payment Schedule

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated October 3, 2012. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Azusa Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on August 23, 2012 for the period of January 1 through June 30, 2013. Finance issued its determination related to those enforceable obligations on October 3, 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 14, 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. 4 through 6, 19, 21, 24, 25, 26, and 27 – Loans and advances from the City of Azusa to the Agency totaling \$12.6 million. According to HSC section 34171 (d) (2) loans between the City that created the Redevelopment Agency (RDA) and the former RDA are not enforceable obligations unless the loan agreement was entered into within the first two years of the creation of the RDA. It is our understanding that the loans were not entered into within the first two years of the creation of the RDA. The Agency contends enterprise fund provisions require the funds be repaid and should be approved as an enforceable obligation. However, based on review of additional information and documentation provided to Finance during the Meet and Confer process, Finance continues to object to all the loans at this time, as the loans are between the City, as defined in 34167.10 (b), and the former RDA. HSC section 34191.4 states that upon receiving a Finding of Completion, loan agreements between the city that created the RDA and the Agency may become enforceable obligations. As it relates to Item 25, our understanding is that the agency concurs with our position.
- Item No. 7 – 2003 Refunding Certificates of Participation (COP) totaling \$2.8 million. Finance is no longer denying the item. Upon review of the documentation provided by the Agency, the reimbursement agreement was entered into at the time of issuance of the 2003 COPs and solely for the purpose of securing or repaying the indebtedness obligation. Therefore, the item is an enforceable obligation.

- Item No. 23 – Debt service reserve establishment totaling \$1.4 million. Finance no longer objects to this item. HSC section 34171 (d) (1) (A) provides that reserves can be held for debt service payments when the next property tax allocation will be insufficient to pay all obligations due under the provisions of the bond for the next payment due in the following half of the calendar year. We request that in future years the Agency increase the requested Redevelopment Property Tax Trust Fund amount for the specific line item related to the debt service payment and footnote on the notes page the difference between the reserve request and payment amount. Therefore, there should not be a separate line item in the future for the building of debt service reserves.
- Claimed administrative costs exceed the allowance by \$17,890. HSC section 34171 (b) limits fiscal year 2012-13 administrative expenses to three percent of property tax allocated to the successor agency or \$250,000, whichever is greater. As a result, the Agency is eligible for \$250,000 in administrative expenses. The Los Angeles Auditor Controller's Office did not distribute administrative costs for the July through December 2012 period, thus leaving a balance of \$250,000 available. Although \$161,590 is claimed for administrative cost, Items 12, 13, 15, and 16 for audit services and legal expenses totaling \$106,300 are considered administrative expenses and should be counted toward the cap. Therefore, \$17,890 of excess administrative cost claimed is not allowed.

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is: \$3,558,234 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2013	
Total RPTTF funding requested for obligations	\$ 5,386,311
Less: Six-month total for item(s) denied or reclassified as administrative cost	
Item No. 4	72,793
Item No. 5	273,137
Item No. 6	21,268
Item No.12*	5,500
Item No.13*	10,500
Item No.15*	300
Item No.16*	90,000
Item No.19	16,184
Item No. 21	238,844
Item No. 24	1,146,584
Item No. 25	176,892
Item No. 26	16,994
Item No. 27	9,081
Total approved RPTTF for enforceable obligations	<u>\$ 3,308,234</u>
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	250,000
Total RPTTF approved:	\$ 3,558,234

*Reclassified as administrative costs

Administrative Cost Calculation	
Total RPTTF for the period July through December 2012	\$ 1,896,204
Total RPTTF for the period January through June 2013	5,386,311
Total RPTTF for fiscal year 2012-13:	\$ 7,282,515
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	-
Allowable RPTTF distribution for administrative cost for ROPS III:	\$ 250,000

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.

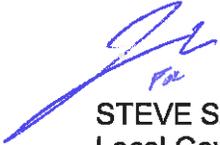
Except for items disallowed as noted above, Finance is not objecting to the remaining items listed in your ROPS III. Obligations deemed not to be enforceable shall be removed from your ROPS. This is Finance's final determination related to the enforceable obligations reported on your ROPS for January 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

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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 Danielle Brandon, Analyst, at (916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Ms. Susan Paragas, Interim Finance Director, City of Azusa
Ms. Kristina Burns, Manager, Los Angeles County Department of Auditor-Controller
California State Controller's Office