



October 13, 2012

Ms. Lorena Quijano, Finance Director
City of Baldwin Park
14403 East Pacific Avenue
Baldwin Park, CA 91706

Dear Ms. Quijano:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the name of city/county successor agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on Date for the period of January through June 2013. Finance has completed its review of your ROPS III, which may have included obtaining clarification for various items.

HSC section 34171 (d) defines enforceable obligations. Based on a sample of line items reviewed and application of the law, the following do not qualify as enforceable obligations:

- Item No. 8 – SB 211 tax sharing in the amount of \$57,204. It is our understanding this item is for pass-through payments. Pursuant to HSC 34183 (a) (1), the county auditor-controller shall make the required pass-through payments starting in the July through December 2012 ROPS period. Therefore, this item is not an enforceable obligation and not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.
- Item No. 29 and 30 – Housing administrative cost totaling \$1,740. It is our understanding these items are for loan repayment fees and maintenance of low and moderate income housing properties. HSC section 34176 (a) (1) states if a city, county, or city and county elects to retain the authority to perform housing functions previously performed by a RDA, all rights, powers, duties, obligations, and housing assets shall be transferred to the city, county, or city and county. Since the City of Baldwin Park assumed the housing functions, the administrative costs associated with these functions are the responsibility of the housing successor. Therefore, these items are not enforceable obligations and not eligible for funding from the Low and Moderate Income Housing Fund (LMIHF).
- Item No. 34 – Reversal of 20 percent set-aside in the amount of \$646,771. It is our understanding the Agency deposited 20 percent of tax increment from November 2011 through January 2012 in the LMIHF; however, this was not reported on the January through June 2012 ROPS period and no executed contracts are in place. The Agency is requesting Finance approve the reversal so that funds can be used to pay enforceable obligations. The requirement to set aside 20 percent of RDA tax increment for low and

moderate income housing purposes ended with the passing of the redevelopment dissolution legislation. However, the redevelopment agency was unable to enter into new contracts after June 27, 2011 and therefore, the LMIHF funds that were transferred between November 2011 and January 2012 would be considered unencumbered. HSC section 34177 (d) requires unencumbered funds to be remitted to the county auditor-controller for distribution to the taxing entities. This will be accomplished through the due diligence review process pursuant to HSC sections 34179.5 and 34179.6. Therefore, it is not necessary to return these funds as they will be distributed to the affected taxing entities through the upcoming due diligence review process.

- Administrative costs claimed exceed the allowance by \$113,058. 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 for the January through June 2013 period. Although \$353,504 is claimed for administrative cost, Item No. 19 and 21 totaling \$9,554 are considered administrative expenses and should be counted towards the cap. Therefore, \$113,058 of excess administrative cost is not allowed.

Except for item(s) denied in whole or in part as enforceable obligation(s) as noted above, Finance is approving the remaining items listed in your ROPS III. If you disagree with the determination with respect to any items on your ROPS III, you may request a Meet and Confer within five business days of the date of this letter. The Meet and Confer process and guidelines are available at Finance's website below:

http://www.dof.ca.gov/redevelopment/meet_and_confer/

The Agency's maximum approved RPTTF distribution for the reporting period is: \$3,950,252 as summarized below:

Approved RPTTF Distribution Amount	
For the period of January through June 2013	
Total RPTTF funding requested for obligations	\$ 3,767,010
Less: Six-month total for item(s) denied or reclassified as administrative cost	
Item 8	57,204
Item 19*	2,600
Item 21*	6,954
Total approved RPTTF for enforceable obligations	<u>\$ 3,700,252</u>
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	<u>250,000</u>
Total RPTTF approved:	\$ 3,950,252

*Reclassified as administrative cost

Administrative Cost Calculation	
Total RPTTF for the period July through December 2012	\$ 790,743
Total RPTTF for the period January through June 2013	3,700,252
Total RPTTF for fiscal year 2012-13:	\$ 4,490,995
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	0
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.

Please refer to the ROPS III schedule that was used to calculate the approved RPTTF amount:

[http://www.dof.ca.gov/redevelopment/ROPS/ROPS III Forms by Successor Agency/](http://www.dof.ca.gov/redevelopment/ROPS/ROPS%20III%20Forms%20by%20Successor%20Agency/).

All items listed on a future ROPS are subject to a subsequent review. An item included on a future ROPS may be denied even if it was not questioned from the preceding ROPS.

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.

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Please direct inquiries to Kylie Le, Supervisor or Michael Barr, Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Ms. Rose Tam, Assistant Accounting Manager, City of Baldwin Park
Ms. Kristina Burns, Manager, Los Angeles County Department of Auditor-Controller