



December 18, 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

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated October 13, 2012. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Baldwin Park Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) for the period of January 1 through June 30, 2013 on August 29, 2012. Finance issued its determination related to those enforceable obligations on October 13, 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 27, 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. 34 – Reversal of 20 percent set-aside in the amount of \$646,771. Finance continues to deny this item. The Agency contends that the 20 percent of tax increment was erroneously deposited in the Low and Moderate Income Housing Fund (LMIHF) from November 2011 through January 2012. There were insufficient funds to make bond debt service payments and the Agency was forced to draw from bond reserves to make those payments. Consequently, the amount deposited into the LMIHF was used to replenish debt service reserves funds. Finance acknowledges the necessary accounting adjustment; however, this item should not be reported on the ROPS III as it does not necessitate funding in the upcoming ROPS III period.

In addition, per Finance's ROPS letter dated October 13, 2012, the following items continue to be denied and were not contested by the Agency:

- 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).
- 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.

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.

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 Danielle Brandon, 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
California State Controller's Office