



October 13, 2012

Mr. Art Gallucci, City Manager  
City of Cerritos  
P.O. BOX 3130  
Cerritos, CA 90703

Dear Mr. Gallucci:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Cerritos (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on August 29, 2012 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 Nos. 6 and 21 – City loans totaling \$57.5 million. In 1969, the City of Cerritos entered into a cooperative agreement to provide aid and assistance on behalf of the Agency in carrying out redevelopment activities. The Agency was created in 1969 and while there are exceptions recognizing loans between the City and the Agency as enforceable obligations, no loan agreements or repayment schedules were provided. Therefore, these loans are not enforceable obligations at this time. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city that created the 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. Upon receiving a Finding of Completion from Finance, HSC section 34191.4 (b) may cause these items to be enforceable in future ROPS periods.
- Item Nos. 7 and 22 – Low Moderate Income Housing Fund Loan Repayments totaling \$9 million. HSC section 34176 (e) (6) (B) states that loan or deferral repayments shall not be made prior to the 2013-14 fiscal year. Therefore these line items are not enforceable obligations and will not be eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.
- Item Nos. 11 and 26 – Although enforceable these types of services requested totaling \$5,000 are considered general administrative services and have been reclassified.
- Item No. 23 – Cerritos Museum in the amount of \$1 million. It is our understanding this line item consists of three projects. A Professional Services Agreement in the amount of

\$65,216 dated January 1, 2004 is between the City and the consultant and the Agency is not a party to the agreement. Also, a contract has not been awarded for the cost proposal in the amount of \$294,000. HSC section 34163 (b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011. Therefore, only \$640,784 is an enforceable obligation payable on ROPS III. The balance of \$359,216 is not an enforceable obligation and not eligible for RPTTF funding.

- Item Nos. 28 through 41 – Housing obligations totaling \$246,680. 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 Cerritos 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.

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/](http://www.dof.ca.gov/redevelopment/meet_and_confer/)

The Agency's maximum approved RPTTF distribution for the reporting period is: \$5,605,282 as summarized below:

<b>Approved RPTTF Distribution Amount For the period of January through June 2013</b>	
Total RPTTF funding requested for obligations	\$ 12,601,523
Less: Six-month total for item(s) denied or reclassified as administrative cost	
Item 6	1,444,000
Item 7	907,317
Item 11*	2,500
Item 21	2,300,000
Item 22	2,117,074
Item 23	359,216
Item 26*	2,500
Item 28	48,000
Item 29	0
Item 30	2,300
Item 31	54,000
Item 32	24,000
Item 33	600
Item 34	27,000
Item 35	12,000
Item 36	480
Item 37	27,000
Item 38	12,000
Item 39	300
Item 40	27,000
Item 41	12,000
Total approved RPTTF for enforceable obligations	\$ 5,222,236
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	383,046
<b>Total RPTTF approved:</b>	<b>\$ 5,605,282</b>

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 III Forms by Successor Agency/)

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.

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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.

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

Sincerely,



STEVE SZALAY  
Local Government Consultant

cc: Ms. Denise Manoogian, Director of Administrative Services, City of Cerritos  
Ms. Kristina Burns, Manager Los Angeles County Auditor-Controller's Office