DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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October 13, 2012

Mr. Kevin Radecki, Executive Director
Administration Offices
15625 East Stafford Street
City of Industry, CA 91744

Dear Mr. Radecki:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Industry Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on August 30, 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 obligation(s):

- Item No. 21, 23, 24, and 25 – Although enforceable, these services totaling $19,350 are considered general administrative expenses and have been reclassified.

- Item No. 26 and 27 – Housing Authority of the County of Los Angeles (HACOLA) 20% set aside totaling $38 million. 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. HSC section 34177 (d) requires that all unencumbered balances in the Low and Moderate Income Housing Fund be remitted to the county auditor for distribution to the taxing entities. This will be accomplished through the due diligence review process pursuant to HSC section 34179.5 and 34179.6. Therefore, these line items are not enforceable obligations and will not be eligible for funding.

- Item No. 102, 119, 165, 205, 217, 253, and 254 – Construction projects totaling $142 million. It is our understanding that contracts are not in place for these line items. HSC section 34163 (b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011. Therefore these items are not enforceable obligations and not eligible for funding at this time. To the extent bond proceeds are the anticipated funding source for these projects, upon receiving a Finding of Completion from Finance, these items may become enforceable pursuant to HSC section 34191.4 (c). Until then they are not enforceable obligations and not authorized for payment.

- Item No. 129 – Financial Consulting Agreement in the amount of $162,402. HSC section 34163 (b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011. It is our understanding the agreement entered into on November 10, 2011 is between the City of Industry and a third party and the Agency is not a party to the agreement. Therefore, this item is not an enforceable obligation and not eligible for funding on this ROPS.

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 Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is: $39,633,415 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2013		
Total RPTTF funding requested for obligations	$	57,728,515
Less: Six-month total for item(s) denied or reclassified as administrative cost		
Item No. 21*		6,000
Item No. 23*		3,300
Item No. 24*		6,750
Item No. 25*		3,300
Item No. 27		19,130,100
Total approved RPTTF for enforceable obligations	$	38,579,065
Plus: Allowable RPTTF distribution for administrative cost for ROPS III		1,054,350
Total RPTTF approved:	$	39,633,415

*Reclassified as administrative cost

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/.

Finance only selects a sample of items to verify their enforceability. The October 1, 2012 Los Angeles Auditor-Controller letter addressed to the Agency, the Agency's oversight board, and Finance raises enforceability concerns over several additional items beyond what has been denied in this letter. Given the review deadlines set forth in HSC section 34177 (m), Finance did not have the opportunity to conclude on all these additional concerns. Therefore, the Agency and the Agency's oversight board should ensure funding is only provided for items that

meet the definition of an enforceable obligation pursuant to 34171 (d). 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.

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

Sincerely,

STEVE SZALAY
Local Government Consultant

cc: Ms. Linda Pollock, Contracted Finance Manager for City of Industry
Ms. Chris Brown, Administrative Assistant, City of Industry
Kristina Burns, Manager, Los Angeles County Department of Auditor-Controller