



October 12, 2012

Ms. Kristen Petersen, Assistant City Manager
City of Duarte
1600 Huntington Drive
Duarte, CA 91010

Dear Ms. Petersen:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Duarte Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on August 28, 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 No. 9 – Option agreement loan in the amount of \$1.2 million. The option agreement dated July 27, 2010 between the Agency and Southern California Presbyterian homes (SCP) gives SCP the option to purchase the property subject to the January 27, 2012 option period, provided certain requirements are met. Additionally, the agency's financial assistance in the form of a forgivable loan is contingent upon SCP exercising the option and entering into a disposition and development agreement. Without evidence to prove otherwise, it appears the requirements have not been met. Therefore, this item is not an enforceable obligation and not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.

Since Item No. 9 is unenforceable, the staff, legal, and engineering costs associated with this project are not necessary. Therefore, Item No. 10 totaling \$41,000 is also not an enforceable obligation.

- Item No. 11 – Housing Authority obligation in the amount of \$16.9 million. The grant agreement adopted April 12, 2011 states the obligation was to be funded with housing set aside funds. 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 pursuant to HSC section 34179.5. Therefore, this item is not an enforceable obligation and not eligible for RPTTF funding on this ROPS.

- Item No. 15 through 17 – Promissory notes with the City totaling \$3.9 million. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city, county, or 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. The Agency was established in 1972 and the loans were entered into in 1987 and 1991; therefore, these items are not enforceable obligations at this time. Upon receiving a Finding of Completion from Finance, HSC section 34191.4 (b) may cause these items to be enforceable in future ROPS periods.

Except for items denied in whole or in part as enforceable obligations 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: \$4,971,057 as summarized below:

Approved RPTTF Distribution Amount	
For the period of January through June 2013	
Total RPTTF funding requested for obligations	\$ 7,696,057
Less: Six-month total for item(s) denied or reclassified as administrative cost	
Item 9	1,200,000
Item 10	41,000
Item 11	1,734,000
Item 15	0
Item 16	0
Item 17	0
Total approved RPTTF for enforceable obligations	\$ 4,721,057
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	250,000
Total RPTTF approved:	\$ 4,971,057

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.

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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 Brian Dunham, Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Mr. Dan Slater, City Attorney, City of Duarte
Ms. Kristina Burns, Manager, Los Angeles County Department of Auditor-Controller