



October 14, 2012

Ms. Fernanda Palacios, Project Manager
City of Huntington Park
6550 Miles Avenue
Huntington Park, CA 90255

Dear Ms. Palacios:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Huntington Park 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 obligations:

- Item No. 15 – Project clean up costs in the amount of \$700,000. It is our understanding that contracts are not in place for this line item. HSC section 34163 (b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011. Therefore, this item is not an enforceable obligation and not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.
- Item No. 18 – Middleton Affordable Housing Project in the amount of \$2.2 million. It is our understanding Finance approved RPTTF funding for this project during the July through December 2012 period; however, the Agency used \$1.5 million of RPTTF approved funding for the July 2012 True Up payment. The July 2012 True Up process was to collect residual pass-through payments owed to the affected taxing entities for the January through June 2012 period, not to cause shortfalls in funding. Therefore, only \$700,000 is an enforceable obligation payable on ROPS III. The balance of \$1.5 million is not an enforceable obligation and not eligible for RPTTF funding.
- Administrative costs claimed exceed the allowance by \$99,698. HSC section 34171 (b) limits the fiscal year 2012-13 administrative expenses to three percent of property tax allocated to the Agency or \$250,000, whichever is greater. As a result, the Agency is eligible for \$251,189 for administrative expenses. The Los Angeles Auditor Controller's Office did not distribute administrative costs for the July through December 2012 period, thus leaving \$251,189 available for the January through June 2013 period. Although \$350,887 is claimed for administrative costs, only \$251,189 is approved pursuant to the cap. Therefore, \$99,698 of excess administrative cost is not allowed.

Item No. 25 for the January through June 2012 administrative budget carry over costs in the amount of \$100,887 accounts for most of excess administrative costs denied on this ROPS. It is our understanding the Agency entered into a cooperative agreement with the City to cover administrative expenses for the January through June 2012 period. However, the amount of RPTTF funding for administrative costs in a fiscal year is limited to the administrative cap outlined in HSC section 34171 (b). In addition, the county auditor-controller distributed the full amount of funding requested for the January to June 2012 period. Therefore, a cash flow loan from the City should not have been necessary.

Except for items denied in whole or in part as enforceable obligation 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: \$4,424,636 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2013	
Total RPTTF funding requested for obligations	\$ 6,215,375
Less: Six-month total for item(s) denied or reclassified as administrative cost	
Line 15	\$ 350,000
Line 18	\$ 1,500,000
Line 24	\$ 93,856
Line 25	\$ 100,887
Total approved RPTTF for enforceable obligations	\$ 4,170,632
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	251,189
Total RPTTF approved:	\$ 4,421,821

Administrative Cost Calculation	
Total RPTTF for the period July through December 2012	\$ 4,202,321
Total RPTTF for the period January through June 2013	4,170,632
Total RPTTF for fiscal year 2012-13:	\$ 8,372,953
Allowable administrative cost for fiscal year 2012-13 (Greater of 3% or \$250,000)	251,189
Administrative allowance for the period of July through December 2012	-
Allowable RPTTF distribution for administrative cost for ROPS III:	\$ 251,189

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.

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

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Mr. Manuel Acosta, Housing Community Development Manager, City of
Huntington Park
Ms. Kristina Burns, Manager, Los Angeles County Department of Auditor-Controller