



December 18, 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

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated October 14, 2012. 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 1 through June 30, 2013. Finance issued its determination related to those enforceable obligations on October 14, 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 1, 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 items being disputed.

- Item No. 15 – Project cleanup costs in the amount of \$700,000. Finance continues to deny this item at this time. There are currently no contracts in place for this line item. HSC section 34163 (b) prohibits a redevelopment agency (RDA) from entering into a contract with any entity after June 27, 2011. Additionally, formal and final approval by the California Department of Toxic Substances Control was not received until July of 2012, which is after the dissolution of the RDA. Their approval was based on a "Revised Draft Final" plan dated March 4, 2012, which is also after the dissolution of the RDA. 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. Finance continues to deny this Item. Finance approved and the Agency was provided RPTTF funding for this project during the July through December 2012 period. The Agency should only make expenditures for approved enforceable obligations listed on a ROPS. The July 2012 True Up payment is not an enforceable obligation listed on any ROPS, but was intended to recover unused residuals from the ROPS I period. Therefore, the Agency should not have expended ROPS II funding on the July 2012 True Up payment. 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 \$93,856. Finance continues to deny the amount of administrative cost that has been exceeded. 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 \$257,031 for administrative expenses. The Los Angeles Auditor Controller's Office did not distribute administrative costs for the July through December 2012 period, thus leaving \$257,031 available for the January through June 2013 period. Although \$350,887 is claimed for administrative costs, only \$257,031 is approved pursuant to the cap. Therefore, \$93,856 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 cost 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.

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is: \$4,622,406 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
Total approved RPTTF for enforceable obligations	<u>\$ 4,365,375</u>
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	<u>257,031</u>
Total RPTTF approved:	\$ 4,622,406

Administrative Cost Calculation	
Total RPTTF for the period July through December 2012	\$ 4,202,321
Total RPTTF for the period January through June 2013	4,365,375
Total RPTTF for fiscal year 2012-13:	\$ 8,567,696
Allowable administrative cost for fiscal year 2012-13 (Greater of 3% or \$250,000)	257,031
Administrative allowance for the period of July through December 2012	0
Allowable RPTTF distribution for administrative cost for ROPS III:	\$ 257,031

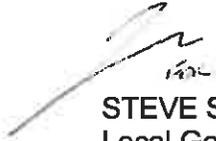
Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS III form the estimated obligations and actual payments associated with the January through June 2012 period. The amount of RPTTF approved in the above table will be adjusted by the county auditor-controller to account 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: Mr. Manuel Acosta, Housing Community Development Manager, City of Huntington Park
Ms. Kristina Burns, Manager, Los Angeles County Department of Auditor-Controller
California State Controller's Office