



December 18, 2012

Ms. Barbara Boswell, Finance Director  
City of Lancaster  
44933 Fern Ave.  
Lancaster, CA 93534

Dear Ms. Boswell:

Subject: Recognized Obligation Payment Schedule

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated October 6, 2012. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Lancaster Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on August 23, 2012 for the period of January 1 through June 30, 2013. Finance issued its determination related to those enforceable obligations on October 6, 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 Thursday, October 18, 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 item being disputed.

- Item 86 – City of Lancaster (City) Parking Master Lease (Lease) in the amount of \$6.8 million. Finance denied the item as an enforceable obligation as the Lease is between the City and Costco Wholesale Corporation (Costco), and the Agency is not a party to the agreement. The Agency contends the item is an enforceable obligation because the Lease was pursuant to the terms in a Disposition and Development Agreement (DDA) between the Agency and Costco wherein the Agency is to reimburse the City for lease payments to Costco using property tax increment. Although Finance agrees that the DDA is an enforceable obligation, Finance continues to deny the item as an enforceable obligation. The DDA and the Lease describe the methodology used to determine the annual rent to be paid by the City. There is neither a pledge of tax increment nor a reference to an obligation by the former redevelopment agency to use property tax increment to reimburse the City for the lease payments. As such, this item is not an enforceable obligation.

In addition, per Finance's ROPS letter dated October 6, 2012, the following items not disputed by the Agency continue to be denied:

- Item No. 1 through 7 – ERAF loan repayments totaling \$2.1 million. HSC section 34176 (e) (6) (B) states that loan or deferral owed to the Low and Moderate Income Housing Fund shall not be made prior to the 2013-14 fiscal year. Therefore, these line

items are not an enforceable obligations and not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.

- Item No. 217 – Housing bond proceeds in the amount of \$10.9 million. 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. It is also our understanding that the entity assuming the housing functions did not undergo the requirements outlined in HSC section 34175 (g) which allows for the expenditure of housing bond proceeds provided certain processes are followed. Therefore, this line item is not an enforceable obligation and not eligible for bond funding on this ROPS.

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is: \$12,195,339 as summarized below:

<b>Approved RPTTF Distribution Amount For the period of January through June 2013</b>	
Total RPTTF funding requested for obligations	\$ 15,352,276
Less: Six-month total for item(s) denied or reclassified as administrative cost	
Item 1	35,635
Item 2	6,269
Item 3	10,028
Item 4	77,899
Item 5	82,906
Item 6	1,882,106
Item 7	702
Item 86	1,459,611
Total approved RPTTF for enforceable obligations	\$ 11,797,120
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	398,219
<b>Total RPTTF approved:</b>	<b>\$ 12,195,339</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.

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

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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 Mary Halterman, Analyst, at (916) 445-1546.

Sincerely,



**Steve Szalay**  
Local Government Consultant

cc: Ms. Pam Statsmann, Assistant Finance Director, City of Lancaster  
Ms. Kristina Burns, Manager, Los Angeles County Department of Auditor-Controller  
California State Controller's Office