DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR
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December 18, 2012

Mr. Thomas E. Lynch, Assistant City Manager
City of Norwalk
12700 Norwalk Boulevard
Norwalk, CA 90650

Dear Mr. Lynch:

Subject: Recognized Obligation Payment Schedule

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated October 8, 2012. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Norwalk Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on August 24, 2012 for the period of January 1 through June 30, 2013. Finance issued its determination related to those enforceable obligations on October 8, 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 October 31, 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 items being disputed.

- Item No. 4 – City loans in the amount of $1 million that was entered into in 1985. Finance no longer objects to $585,299 of this item; however, Finance continues to deny $401,266 of this item at this time. Finance denied the item as an enforceable obligation as the Agency was created in 1983 and while there are exceptions recognizing loans between the City and the Agency as enforceable obligations, no repayment schedules were provided. Per HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city that created the Redevelopment Agency (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 contends the item is an enforceable obligation because this is the repayment of loans entered into within the first two years. The City and former RDA entered into three loan agreements; however, only two of the agreements were within the first two years of creation. The RDA was created on August 24, 1983, and the third loan was approved on September 26, 1985 – beyond the 2 years a city loan may be considered an enforceable obligation under HSC section 34171 (d) (2). For the first two loans, Finance approves $552,169 in principal and $33,130 in interest as enforceable obligations. Upon receiving a Finding of Completion from Finance, HSC section 34191.4 (b) may cause the outstanding obligations for the third loan to be enforceable in future ROPS periods.

- Item No. 5 – City loan in the amount of $19.2 million that was entered into in 1991. Finance continues to deny this item. Finance denied the item as an enforceable obligation as the Agency was created in 1983 and while there are exceptions recognizing loans between the City and the Agency as enforceable obligations, no repayment schedules were provided. The Agency contends the loan is an enforceable obligation under AB x1 26 because it is required to be paid in lump-sum by October 1, 2011. However, the section of the law that applies to agreements, contracts, or arrangements between the city, county, or city and county that created the redevelopment agency and the former redevelopment agency did not change when AB 1484 was passed. HSC section 34171 (d) (2) still applies and states that agreements, contracts, or arrangements between the 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. In addition, no amount is requested in the ROPS. Upon receiving a Finding of Completion from Finance, HSC section 34191.4 (b) may cause the item to be enforceable in future ROPS periods.

In addition, per Finance's ROPS letter dated October 8, 2012, the following item not disputed by the Agency continues to be denied:

- Item No. 7 – City loan in the amount of $417,600 that was entered into in 2010 is not an enforceable obligation. The Agency was created in 1983 and while there are exceptions recognizing loans between the City and the Agency as enforceable obligations, no repayment schedules were provided. Therefore, this loan is not an enforceable obligation at this time. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the 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. Upon receiving a Finding of Completion from Finance, HSC section 34191.4 (b) may cause the item to be enforceable in future ROPS periods.

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is: $2,307,929 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2013		
Total RPTTF funding requested for obligations	$	2,459,195
Less: Six-month total for item(s) denied or reclassified as administrative cost		
Item 4		401,266
Item 5		0 *
Total approved RPTTF for enforceable obligations	$	2,057,929
Plus: Allowable RPTTF distribution for administrative cost for ROPS III		250,000
Total RPTTF approved:	$	2,307,929

* No payments requested for the reporting period

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

Sincerely,

Steve Szalay
Local Government Consultant

cc: Ms. Jana Stuard, Finance Officer, City of Norwalk
Kristina Burns, Manager, Los Angeles County Department of Auditor-Controller
California State Controller's Office