



October 12, 2012

Mr. Mike Miller, Housing Manager  
City of Palmdale  
38250 Sierra Highway  
Palmdale, CA 93550

Dear Mr. Miller

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Palmdale 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. 52 – Cooperative agreement between the City of Palmdale and the Agency in the amount of \$48 million. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city, county, or city and county that created the redevelopment agency (RDA) and the former RDA are not enforceable obligations. Therefore, this line item is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.
- Item Nos. 55 and 56 – Although enforceable, legal services totaling \$132,650 are considered general administrative expenses and have been reclassified.
- Item Nos. 75 through 130 – Housing related obligations totaling \$101 million. HSC section 34176 (a) (1) states if a city, county, or city and county elects to retain the authority to perform housing functions previously performed by a RDA, all rights, powers, duties, obligations, and housing assets shall be transferred to the city, county, or city and county. Since the City of Palmdale Housing Authority assumed the housing functions, the operating and administrative costs associated with these functions are the responsibility of the housing successor. Further, the only Low and Moderate Income Housing Fund (LMIHF) encumbrances noted on the Housing Assets Transfer Form, Exhibit C submitted to Finance on August 1, 2012 are related to the Palmdale TOD apartments and the Palmdale Transit Village Townhomes. LMIHF funding should be limited to these encumbrances. Therefore, these items are not enforceable obligations and not eligible for funding.

- Item Nos. 150 through 154 – Unfunded expenses from the January through June 2012 period totaling \$1 million. The amount of property tax is not an unlimited funding source. Therefore, the ability to fund items on the ROPS with RPTTF is limited to the amount of funding available to the successor agency. HSC section 34173 (h) allows for a city to loan funds to a successor for administrative costs and enforceable obligations, and put the repayment of these loans on the subsequent ROPS. This does not appear to be the case for these items. Additionally, items 151 and 153 appear to be administrative and would be subject to the administrative cap pursuant to HSC section 34171 (b). Items 150, 152, and 154 identify the payee as various; therefore, it is not evident they are tied to specific enforceable obligations. Therefore, these items are not eligible for RPTTF funding.

Except for item(s) denied in whole or in part as enforceable obligation(s) 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/](http://www.dof.ca.gov/redevelopment/meet_and_confer/)

The Agency's maximum approved RPTTF distribution for the reporting period is: \$8,668,074 as summarized below:

<b>Approved RPTTF Distribution Amount</b>	
<b>For the period of January through June 2013</b>	
Total RPTTF funding requested for obligations	\$ 10,538,901
Less: Six-month total for item(s) denied or reclassified as administrative cost	
Item 52	180,000
Item 55*	12,500
Item 56*	120,150
Item 77	162,785
Item 78	30,000
Item 85	20,000
Item 86	2,000
Item 95	33,748
Item 117	262,345
Item 118**	0
Item 119	1,450
Item 120	300
Item 121	100
Item 122	1,390
Item 123	150
Item 124	800
Item 125	12,180
Item 126	120
Item 127	360
Item 128	5,000
Item 129	400
Item 130	1,980
Item 111	122,300
Item 115	360,000
Item 116	40,000
Item 150	46,204
Item 151	227,342
Item 152	631,073
Item 153	23,996
Item 154	30,749
Total approved RPTTF for enforceable obligations	\$ 8,209,479
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	458,595
<b>Total RPTTF approved:</b>	<b>\$ 8,668,074</b>

\*Reclassified as administrative cost

\*\*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.

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,

A handwritten signature in black ink, appearing to read 'Steve Szalay', with a stylized flourish extending to the left. Below the signature, the initials 'RSZ' are written in a smaller, less legible hand.

STEVE SZALAY  
Local Government Consultant

cc: Ms. Jill Ward, Principle Economic Development Project Manager, City of Palmdale  
Ms. Kristina Burns, Manager, Los Angeles County Auditor-Controller's Office