



December 18, 2012

Mr. Michael Matsumoto, Director of Finance
City of Pico Rivera
6615 Passons Blvd.
Pico Rivera, CA 90660

Dear Mr. Matsumoto:

Subject: Recognized Obligation Payment Schedule

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated October 13, 2012. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Pico Rivera 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 13, 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, 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 items being disputed.

- Items Nos. 4 and 5, City loans totaling \$94.5 million – Finance continues to deny the items at this time. Finance denied the items as enforceable obligations as the Agency was created in 1972 and while there are exceptions recognizing loans between the City and the Agency as enforceable obligations, no loan agreements were provided to substantiate the cooperative agreement entered into on December 18, 1972. 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, unless issued within two years of the RDA's creation date or for issuance of indebtedness to third-party investors or bond holders. The Agency contends the items are enforceable obligations because the 1972 Loan Agreement was entered into within two years after the creation of the RDA and the 1990 Agreement refers to the continuing loans of funds by the City to the RDA all of which is authorized by the 1972 Loan Agreement. Per HSC section 34171 (d) (2), loan agreements entered into between the RDA and the city, county, or city and county that created it, within two years of the date of creation of the RDA, may be deemed to be enforceable obligations. The cooperative agreement was entered into within the first two years of the date of creation; however, various advances or loans were made from 1982 through 2008, which is after the first two years of creation and the 1990 Agreement was not within two years of the RDA's creation date or for issuance of indebtedness to third-party investors or bond holders. Furthermore, the cooperative agreement does not specify dollar amounts to be loaned or advanced or specific repayment terms. Upon receiving a Finding of Completion from Finance, HSC section 34191.4 (b) may cause

these items to be enforceable in future ROPS period. However, Finance has not issued a Finding of Completion to the Agency; therefore, the provisions of HSC section 34171 apply.

The Agency's maximum approved RPTTF distribution for the reporting period is: \$1,672,725 as summarized below:

Approved RPTTF Distribution Amount	
For the period of January through June 2013	
Total RPTTF funding requested for obligations	\$ 1,422,725
Less: Six-month total for item(s) denied or reclassified as administrative cost	
Item No. 4	0
Item No. 5	0
Total approved RPTTF for enforceable obligations	\$ 1,422,725
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	250,000
Total RPTTF approved:	\$ 1,672,725

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: Mr. Jim Simon, RSG Consultant
Ms. Kristina Burns, Manager, Los Angeles County Department of Auditor-Controller
California State Controller's Office