DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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December 18, 2012

Mr. Ken Duran, Assistant City Manager
City of San Dimas
245 Bonita Avenue
San Dimas, CA 91773

Dear Mr. Duran:

Subject: Recognized Obligation Payment Schedule

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated October 12, 2012. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of San Dimas 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 12, 2012. Subsequently, the Agency requested a Meet and Confer session on one of the items denied by Finance. The Meet and Confer session was held on November 5, 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 Nos. 4, 5, and 6 - City loans totaling $23.7 million that were entered into in 1997, 2001, and 2009 are not enforceable obligations. Finance continues to deny this item for the reason previously provided. 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. The Agency was created in 1972; therefore, these items are not enforceable obligations. Therefore, this item is currently not an enforceable obligation. However, per HSC section 34191.4 (b), upon obtaining a Finding of Completion from Finance, loan agreements entered into between the redevelopment agency and the city, county, or city and county that created the redevelopment agency shall be deemed to be enforceable obligations provided the oversight board makes a finding the loan was for legitimate redevelopment purposes.

- Item No. 8 – SERAF loan repayments in the amount of $1.3 million. Finance denied this item per HSC section 34176 (e) (6) (B) which specifies loan or deferral repayments shall not be made prior to the 2013-14 fiscal year. Therefore, this line item is not an enforceable obligation and not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding at this time. Finance continues to deny this item for the reason previously provided.

- Item No. 13 – City of San Dimas (City) parking lot lease in the amount of $6.6 million. Finance no longer denies this item. Finance denied this item because the document provided indicates this is an agreement between the City and Costco Wholesale Corporation (Costco) and the Agency is not a party to the agreement. Based on review of additional review of documents provided during the meet and confer process, the item is a Development and Disposition Agreement between the former RDA and Costco and was fully executed on June 1, 2007. Therefore, this item is an enforceable obligation eligible for RPTTF funding.

- Item No. 14 – Grove Station Housing Assistance in the amount of $2.7 million. Finance no longer objects to this item. Finance denied this item because a contract was not in place for this line item prior to June 27, 2011. The Agency contends the Owner Participation and Disposition and Development Agreement (OPDDA) was entered into on February 16, 2006. On March, 17, 2012 the Agency approved a resolution approving an Assignment and Assumption agreement securing a new developer. Finance finds the OPDDA continues to be an enforceable obligation regardless of the assignment of the new developer.

- Items 10 – Legal and Consultant Services in the amount of $153,950 for the current year and ongoing. Finance continues to reclassify this item as an administrative cost. The Agency's understanding is items related to legal and audit services are separate from administrative cost and not subject to the administrative cost cap. However, the Agency did not provide documentation to support the services for Item 10 are related to litigation expenses and that the audit services fall into any of the following categories that are specifically excluded from the administrative cap as defined by HSC section 34171 (b):

    - Any litigation expenses related to assets or obligations.
    - Settlements and judgments.
    - The costs of maintaining assets prior to disposition.
    - Employee costs associated with work on specific project implementation activities, including, but not limited to, construction inspection, project management, or actual construction, shall be considered project-specific costs.

  Therefore, claimed administrative costs exceed the allowance by $70,024. 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 $250,000 for administrative expenses. The Los Angeles Auditor-Controller's Office distributed $131,842 in administrative costs during the July through December 2012 period. Although $127,982 is claimed for administrative cost, Item 10 in the amount of $60,200 for legal and audit services are considered administrative expense and should be counted toward the cap. Therefore, $70,024 of excess administrative cost is not allowed.

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is: $517,567 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2013			
Total RPTTF funding requested for obligations	$	876,719	
Less: Six-month total for item(s) denied or reclassified as administrative cost			
Item 4		0	*
Item 5		0	*
Item 6		0	*
Item 8		417,110	
Item 10		60,200	
Total approved RPTTF for enforceable obligations	$	399,409	
Plus: Allowable RPTTF distribution for administrative cost for ROPS III		118,158	
Total RPTTF approved:	$	517,567	

* No payments requested for the reporting period

Administrative Cost Calculation		
Total RPTTF for the period July through December 2012	$	1,096,741
Total RPTTF for the period January through June 2013		399,409
Total RPTTF for fiscal year 2012-13:	**$**	**1,496,150**
Allowable administrative cost for fiscal year 2012-13 (Greater of 3% or $250,000)		250,000
Administrative allowance for the period of July through December 2012		131,842
Allowable RPTTF distribution for administrative cost for ROPS III:	**$**	**118,158**

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: Ms. Barbara Bishop, Finance Manager, City of San Dimas
Ms. Kristina Burns, Manager, Los Angeles County Department of Auditor-Controller
California State Controller's Office