DEPARTMENT OF FINANCE

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December 18, 2012

Mr. Al Hernandez, City Administrator
City of San Fernando
117 Macneil Street
San Fernando, CA 91340

Dear Mr. Hernandez:

Subject: Recognized Obligation Payment Schedule

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated October 11, 2012. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of San Fernando 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 1 through June 30, 2013. Finance issued its determination related to those enforceable obligations on October 11, 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 November 21, 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 No. 4 and 17 – Retirement Tax Override totaling $1.2 million. It is our understanding that these Items relate to a .28 percent property tax assessment approved by voters, which is separate and distinct from the 1 percent base assessment for the former redevelopment agency (RDA). The former RDA was previously responsible for parceling out the .28 percent property tax assessment for distribution to the City of San Fernando (City). It is also our understanding that going forward the Los Angeles County Auditor-Controller (County) will calculate the .28 percent property tax assessment for remittance directly to the City. According to the Agency, Item 4 specifically relates to a Project Area 4 calculation error made from 2004-05 to 2009-10 where the funding for the .28 percent property tax assessment was incorrectly included within the former RDA's share of property tax receipts. The Agency is now listing as an obligation the funding amount that should have been received by the City for those fiscal years. The Agency also indicates that Item 17 is related to the incorrect inclusion of the revenues associated with the .28 percent property tax assessment within the residual demand payment calculated by the County. Unfortunately, Finance continues to deny the Item. HSC section 34171 (d) defines an enforceable obligation and these Items do not meet the definitions set forth in the law.

In addition, per Finance's determination letter dated October 11, 2012, the following item not disputed by the Agency continues to be denied:

- Item No. 16 - SERAF loan repayment in the amount of $1.8 million. HSC section 34176 (e) (6) (B) states that 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 RPTTF funding at this time.

The Agency's maximum approved RPTTF distribution for the reporting period is: $884,465 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2013		
Total RPTTF funding requested for obligations	$	2,464,369
Less: Six-month total for item(s) denied or reclassified as administrative cost		
Item 4		470,871
Item 16		600,000
Item 17		746,194
Total approved RPTTF for enforceable obligations	$	647,304
Plus: Allowable RPTTF distribution for administrative cost for ROPS III		237,161
Total RPTTF approved:	$	884,465

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. Sonia Garcia, Junior Accountant, City of San Fernando
Ms. Kristina Burns, Manager, Los Angeles County Department of Auditor-Controller
California State Controller's Office