



December 18, 2012

Mr. Travis C. Hickey, Assistant Director of Finance and Administration
City of Santa Fe Springs
11710 E. Telegraph Road
Santa Fe Springs, CA 90670

Dear Mr. Hickey:

Subject: Recognized Obligation Payment Schedule

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated October 14, 2012. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Santa Fe Springs 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 14, 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 8, 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 items being disputed.

- Items Nos. 8 and 9 – California Statewide Community Development Authority (CSCDA) repayments for ERAF loan totaling \$1.8 million. Finance no longer objects to the items. Finance denied the items as HSC section 34176 (e) (6) (B) states that loan or deferral repayments shall not be made prior to the 2013-14 fiscal year. The Agency contends the items are enforceable obligations because these payments are for bond debt service to an outside third party, the CSCDA. The Agency provided the loan agreements with the CSCDA showing the debt service schedule for the loans the former redevelopment agency (RDA) received to make the ERAF payments in 2005 and 2006. Therefore, these line items are enforceable obligations and will be eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.
- Items Nos. 27 and 39 – Neighborhood Center Renovation Project totaling \$5.6 million. Finance no longer objects to the items. Although the original contract was executed in 2010, Finance denied the item as the Takeover Agreement was executed on October 25, 2011. HSC section 34163 (b) prohibits a RDA from entering into a contract with any other entity after June 27, 2011. Additionally, HSC section 34163 (c) prohibits an Agency from amending or modifying existing agreements. The Agency contends the items are enforceable obligations because these are amounts approved, but not spent from ROPS I due to the actual expenditures coming in below the estimated amount and approved funding from ROPS II that was not paid to the Agency due to funds not being

available from RPTTF. Executing the Takeover Agreement was a ministerial act since the scope of the original agreement did not change. Therefore, the items are enforceable obligations. However, any subsequent change orders that expanded the scope of the agreement are not enforceable as HSC section 34163 (b) prohibits a RDA from entering into a contract with any other entity after June 27, 2011.

- Items No. 31, 36, and 37 – Although enforceable, the types of services requested totaling \$36,120 are considered general administrative expenses and have been reclassified. Finance continues to reclassify the items as administrative costs. The Agency contends the items are enforceable obligations because the requirement in AB 1484 to conduct an annual audit of the Agency creates an obligation to provide funding outside of the administrative allowance and the expenses of the Oversight Board should not be the responsibility of the Agency to pay for out of its administrative allowance. However, the items do not 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.

For Item 31, annual audit of the successor agency, there is sufficient administrative allowance available to cover the cost. To the extent insufficient administrative allowance is available, the cost could then be paid for from RPTTF since it is a mandated requirement in AB 1484.

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is: \$6,250,120 as summarized below:

Approved RPTTF Distribution Amount	
For the period of January through June 2013	
Total RPTTF funding requested for obligations	\$ 6,147,201
Less: Six-month total for item(s) denied or reclassified* as administrative cost	
Item 31	24,000 *
Item 36	10,000 *
Item 37	2,120 *
Total approved RPTTF for enforceable obligations	\$ 6,111,081
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	139,039
Total RPTTF approved:	\$ 6,250,120

*Reclassified as administrative cost

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. Kristina Burns, Manager, Los Angeles County Auditor-Controller's Office
Mr. Jose Gomez, Asst. City Manager/Director of Finance, Santa Fe Springs
California State Controller's Office