



October 12, 2012

Ms. Tina Rodriguez, Administrative Services Officer  
City of Santa Monica  
1685 Main Street  
Santa Monica, CA 90401

Dear Ms. Rodriguez:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the Santa Monica Redevelopment 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 Nos. 9, 10, 16, 17, and 18 – City loans totaling \$121 million. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city that created the redevelopment agency (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. Therefore, these items are not enforceable and not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding. Upon receiving a Finding of Completion from Finance, HSC section 34191.4 (b) may cause these items to be enforceable in future ROPs periods.
- Item No. 11 – Unfunded pension liability in the amount of \$2.5 million. It is our understanding the amount includes \$1.25 million of administrative costs associated with salaries and benefits of current Agency employees. The Agency requested \$1,873,500 of unfunded pension liability on this ROPS. A reasonable payment schedule for the \$1.25 million in unfunded pension liabilities allocated over the remaining estimated four-year term of the oversight board results in eight bi-annual payments of \$156,200. Therefore, \$156,200 of unfunded pension obligation is an enforceable obligation payable on ROPS III. The remaining balance of \$1,717,300 is not an enforceable obligation and has been reclassified to administrative cost.
- Item No. 14 – Civic Center Joint Use Agreement in the amount of \$126 million. It is our understanding the contract for this line item was awarded after June 27, 2011. HSC section 34163 (b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011, and therefore, Item No. 14 is not enforceable. Finance

notes the Agency has requested bond proceeds to fund a portion of this project. Upon receiving a Finding of Completion from Finance, these items may become enforceable pursuant to HSC section 34191.4 (c). Until then, this item is not authorized for payment.

- Item Nos. 15 and 19 through 23 – Agreements between the City and third parties totaling \$23.8 million. It is our understanding the Agency is not a party to these agreements. Therefore, these items are not enforceable obligations and not eligible for funding on this ROPS. To the extent bond proceeds are available for these projects, they may become enforceable pursuant to HSC section 34191.4 (c) upon receiving a Finding of Completion from Finance. Until then, this item is not authorized for payment.
- Item No. 29 – Successor Housing Agency Administrative Costs in the amount of \$2 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 Santa Monica assumed the housing functions, the administrative costs associated with these functions are the responsibility of the housing successor. Therefore, these items are not enforceable obligations and not eligible for RPTTF funding.
- Claimed administrative costs exceed the allowance by \$2,071,546. 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 \$874,268 for administrative expenses. The Los Angeles Auditor Controller's Office distributed \$742,848 of administrative costs for the July through December 2012 period, thus leaving a balance of \$131,420 available for the January through June 2013 period. Although \$49,928 is claimed for administrative cost, a portion of item number 11 and item numbers 25, 26, and 28 totaling \$2,153,038 are considered administrative expenses and should be counted toward the cap. Therefore, \$2,071,546 of excess administrative cost is not allowed.

Except for items denied in whole or in part as enforceable obligations 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: \$4,512,107 as summarized below:

<b>Approved RPTTF Distribution Amount For the period of January through June 2013</b>	
Total RPTTF funding requested for obligations	\$ 22,735,876
Less: Six-month total for item(s) denied or reclassified as administrative cost	
Item 11*	1,717,300
Item 14	8,130,000
Item 15	166,349
Item 16	3,229,766
Item 17	2,551,505
Item 18	1,118,820
Item 25*	244,013
Item 26*	87,740
Item 28*	103,985
Item 29	1,005,711
Total approved RPTTF for enforceable obligations	\$ 4,380,687
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	131,420
<b>Total RPTTF approved:</b>	<b>\$ 4,512,107</b>

\* Reclassified as administrative cost

<b>Administrative Cost Calculation</b>	
Total RPTTF for the period July through December 2012	\$ 24,761,595
Total RPTTF for the period January through June 2013	4,380,687
<b>Total RPTTF for fiscal year 2012-13:</b>	<b>\$ 29,142,282</b>
Allowable administrative cost for fiscal year 2012-13 (Greater of 3% or \$250,000)	874,268
Administrative allowance for the period of July through December 2012	742,848
<b>Allowable RPTTF distribution for administrative cost for ROPS III:</b>	<b>\$ 131,420</b>

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/>.

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.

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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 Brian Dunham, Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY

Local Government Consultant

cc: Ms. Nia Tang, Acting Administrative Services Officer, City of Santa Monica  
Ms. Kristina Burns, Manager, Los Angeles County Department of Auditor-Controller