



October 14, 2012

Mr. Tom Bachman, Assistant City Manager  
City of West Covina  
1444 W. Garvey Ave.  
West Covina, CA 91790

Dear Mr. Bachman:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of West Covina 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 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:

- Items No. 23 through 27 – City contracts totaling \$87.8 million. 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. Therefore, these items are not enforceable obligations and not eligible for Property Tax Trust Fund (RPTTF) funding.
- Items No. 41 through 44 – City loans totaling \$1.7 million. These items were previously denied by Finance on the July through December 2012 ROPS period. 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. Upon receiving a Finding of Completion from Finance, HSC section 34191.4 (b) may cause these items to be enforceable in future ROPS periods. Therefore, these items are not enforceable obligations and not eligible for RPTTF funding.
- Claimed administrative costs exceed the allowance by \$257,260. 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 \$368,040 for administrative expenses. The Los Angeles Auditor Controller's Office distributed \$241,173 of administrative costs for the July through December 2012 period, thus leaving \$126,867 available for the January through June 2013 period. Although \$242,181 is claimed for administrative costs, item numbers 18, 20, 21, 39 and

40 totaling \$141,946 are considered administrative expenses and should be counted toward the cap. Therefore, \$257,260 of excess administrative cost is not allowed.

Several item numbers indicate they are for anticipated or existing litigation. HSC section 34171 (b) allows litigation expenses related to assets or obligations to be funded with property tax outside the administrative cap. Therefore, we have approved funding for these items. The funding is limited specifically to bringing or contesting a legal action in court; otherwise general legal services are considered an administrative expense.

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 Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is: \$6,085,305 as summarized below:

<b>Approved RPTTF Distribution Amount</b>	
<b>For the period of January through June 2013</b>	
Total RPTTF funding requested for obligations	\$ 8,692,846
Less: Six-month total for item(s) denied or reclassified as administrative cost	
Item 18*	35,000
Item 20*	10,000
Item 21*	30,000
Item 23	730,744
Item 24	133,410
Item 25	0
Item 26	0
Item 27	0
Item 39*	36,946
Item 40*	30,000
Item 41	730,744
Item 42	730,744
Item 43	133,410
Item 44	133,410
Total approved RPTTF for enforceable obligations	\$ 5,958,438
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	126,867
<b>Total RPTTF approved:</b>	<b>\$ 6,085,305</b>

\*Reclassified as administrative cost

<b>Administrative Cost Calculation</b>	
Total RPTTF for the period July through December 2012	\$ 6,309,574
Total RPTTF for the period January through June 2013	5,958,438
<b>Total RPTTF for fiscal year 2012-13:</b>	<b>\$ 12,268,012</b>
Allowable administrative cost for fiscal year 2012-13 (Greater of 3% or \$250,000)	368,040
Administrative allowance for the period of July through December 2012	241,173
<b>Allowable RPTTF distribution for administrative cost for ROPS III:</b>	<b>\$ 126,867</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.

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 Michael Barr, Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY  
Local Government Consultant

cc: Ms. Denise Bates, Accounting Manager, City of West Covina  
Ms. Kristina Burns, Manager, Los Angeles County Department of Auditor-Controller