



December 18, 2012

Aldo Schindler, Director of Community Development  
City of Whittier  
13230 Penn Street  
Whittier, CA 90602

Dear Mr. Schindler:

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 Whittier 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.

- Item No. 11 – Deferred Low and Moderate Income Housing Fund (LMIHF) payments in the amount of \$194,249. Finance continues to deny the item at this time. Finance denied the item as HSC section 34176 (e) (6) (B) specifies loan or deferral repayments to the LMIHF shall not be made prior to the 2013-14 fiscal year. The Agency contends that deferrals and loans from LMIHF must be repaid. However, since this item cannot be paid at this time, this item is not an enforceable obligation and not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding on this ROPS.
- Items Nos. 12, 40, 61, and 84 – SERAF loan repayments in the amount of \$2.4 million. Finance continues to deny the items at this time. Finance denied the items as HSC section 34176 (e) (6) (B) specifies loan or deferral repayments shall not be made prior to the 2013-14 fiscal year. The Agency contends that deferrals and loans from LMIHF must be repaid. However, since this item cannot be paid at this time, this item is not an enforceable obligation and not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding on this ROPS.
- Item No. 92 through 96 and 105 – Housing administrative costs totaling \$80,000 funded by the LMIHF. Finance continues to deny the items. Finance denied the items as HSC section 34176 (a) (2) 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 Whittier assumed the housing functions, the operating and administrative costs associated with these functions are the responsibility of the housing successor. The Agency contends the items are enforceable obligations because these are activities that are still required for existing or underway projects and programs. Obligations associated with the former RDA's previous statutory housing obligations are not enforceable obligations. Upon the transfer of the former RDA's housing functions to the new housing entity, HSC section 34176 requires that "all rights, powers, duties, obligations and housing assets...shall be transferred" to the new housing entity. This transfer of "duties and obligations" necessarily includes the transfer of statutory obligations; to the extent any continue to be applicable. To conclude that such costs should be on-going enforceable obligations of the successor agency could require a transfer of tax increment for life – directly contrary to the wind down directive in ABx1-26/AB1484. Furthermore, per HSC section 34177 (d), any unencumbered balances in the LMIHF are to be remitted to the county auditor controller for distribution to the taxing entities. Therefore, these items are not enforceable obligations and not eligible for funding from the LMIHF.

- Items 2 through 6, 9, 31 through 35, 39, 49 through 53, 60, 72 through 78, and 82 totaling \$272,162 are considered administrative expenses and should be counted toward the cap. Finance no longer reclassifies Items 3, 32, 50, and 75 related to the due diligence review and Items 6, 35, 53, and 78 related to maintenance on Agency properties as administrative costs; however, Finance continues to reclassify the remaining items as administrative costs. The remaining 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.

Therefore, the remaining items are reclassified as administrative costs.

In addition, per Finance's ROPS letter dated October 14, 2012, the following item not disputed by the Agency continues to be denied:

- Claimed administrative costs exceed the allowance by \$149,653. 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 did not distribute administrative costs during the July through December 2012 period, thus leaving \$250,000 available for administrative costs. Although \$153,401 is claimed for administrative costs, items 2, 4, 5, 9, 31, 33, 34, 39, 49, 51, 52, 60, 72, 73, 74, 76, 77, and 82 totaling \$246,252 are considered administrative expenses and should be counted toward the cap. Therefore, \$149,653 of excess administrative cost is not allowed.

The Agency's maximum approved RPTTF distribution for the reporting period is: \$3,877,283 as summarized below:

<b>Approved RPTTF Distribution Amount For the period of January through June 2013</b>	
Total RPTTF funding requested for obligations	\$ 5,113,361
Less: Six-month total for item(s) denied or reclassified as administrative cost	
Item 2*	2,063
Item 4*	20,000
Item 5*	10,000
Item 9*	15,000
Item 11	29,884
Item 12	268,888
Item 31*	2,063
Item 33*	5,000
Item 34*	7,500
Item 39*	15,000
Item 40	243,760
Item 49*	2,063
Item 51*	25,000
Item 52*	11,500
Item 60*	15,000
Item 61	423,854
Item 72*	14,000
Item 73*	15,000
Item 74*	2,063
Item 76*	45,000
Item 77*	25,000
Item 82*	15,000
Item 84	273,440
Total approved RPTTF for enforceable obligations	\$ 3,627,283
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	250,000
<b>Total RPTTF approved:</b>	<b>\$ 3,877,283</b>

\* Reclassified as administrative cost

<b>Administrative Cost Calculation</b>	
Total RPTTF for the period July through December 2012	\$ 3,502,254
Total RPTTF for the period January through June 2013	3,627,283
<b>Total RPTTF for fiscal year 2012-13:</b>	<b>\$ 7,129,537</b>
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	-
<b>Allowable RPTTF distribution for administrative cost for ROPS III:</b>	<b>\$ 250,000</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.

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: Mr. Ben Pongetti, Redevelopment Manager, City of Whittier  
Ms. Kristina Burns, Manager, Los Angeles County Department of Auditor-Controller  
California State Controller's Office