



April 13, 2013

Ms. Barbara Boswell, Finance Director  
City of Lancaster  
44933 Fern Ave.  
Lancaster, CA 93534

Dear Ms. Boswell:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Lancaster Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14A) to the California Department of Finance (Finance) on February 27, 2013 for the period of July through December 2013. Finance has completed its review of your ROPS 13-14A, 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 obligation(s):

- Item No. 84 – Sub-Lease Agreement with Subaru in the amount of \$834,000. The \$90,000 requested for the six-month amount is partially denied. The sublease agreement under section 5, states the Agency is obligated to pay Subaru on rent an amount equal to fifty percent of the sales and use tax generated by sales on the premises from eligible sales tax revenues. Using the Agency submitted quarterly sales tax reports to the Board of Equalization for the past two years; the average sales tax per 6-month period is \$44,858. Since the Agency is only obligated to pay fifty percent of the sales and use tax generated, the amount remitted to Subaru per a 6-month period is averaging \$22,429. Finance determined \$30,000 should provide adequate funding for the ROPS 13-14A period. As such, the remaining \$60,000 is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding on this ROPS.
- Item No. 231 – Administrative costs for the January through June 2012 (ROPS I) period in the amount of \$98,219. The Agency is requesting Finance reconsider the administrative allowance calculated by DOF for ROPS I. Per the county auditor controller report, \$4.5 million was distributed to the Agency for ROPS I. Based on the amount distributed, Finance determined the administrative cost allowance was \$250,000. It appears the Agency was fully funded for the January through June 2012 administrative expense. Therefore, this item is not an enforceable obligation and not eligible for RPTTF funding on the ROPS.
- Item No. 240 through 256 – Replenish bond reserve with trustee totaling \$912,508. It is our understanding the Agency anticipated its January 2013 RPTTF distribution would be

insufficient to cover its February 2013 debt service, resulting in a potential draw on the reserves held with the trustee. Per discussion with Agency staff, there is no need to fund these obligations with RPTTF since the County Auditor Controller made an additional RPTTF distribution subsequent to the January 2, 2013 distribution, allowing the Agency to make their debt service payments. Therefore, these line items are not enforceable obligations and not eligible for RPTTF funding.

- Item No. 257 through 263 – Low and Moderate Income Housing Fund (LMIHF) loan repayment for ERAF in the amount of \$2.1 million is not allowed at this time. 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. While ROPS 13-14A technically falls within fiscal year 2013-14, the repayment of these loaned amounts is subject to the repayment formula outlined in HSC section 34176 (e) (6) (B).

HSC section 34176 (e) (6) (B) allows this repayment to be equal to one-half of the increase between the ROPS residual pass-through distributed to the taxing entities in that fiscal year and the ROPS residual pass-through distributed to the taxing entities in the 2012-13 base year. Since the formula does not allow for estimates, the Agency must wait until the ROPS residual pass-through distributions are known for fiscal year 2013-14 before requesting funding for this obligation. Therefore, the Agency may be able to request funding for the repayment of LMIHF loans beginning with ROPS 14-15A.

- Claimed administrative costs exceed the allowance by \$48,538. HSC section 34171 (b) limits the fiscal year 2013-14 administrative expense to three percent of property tax allocated to the Agency or \$250,000, whichever is greater. As a result the Agency is eligible for \$391,052 for administrative expenses. Therefore, \$48,538 of the claimed \$439,590 is not an enforceable obligation.

Except for item(s) denied in whole or in part as enforceable obligation(s), Finance is not objecting to the remaining item(s) listed on your ROPS 13-14A. This determination applies only to items where funding was requested for the six month period. If you disagree with the determination with respect to any items on your ROPS 13-14A, 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 \$13,426,109 as summarized below:

<b>Approved RPTTF Distribution Amount</b>	
<b>For the period of July through December 2013</b>	
Total RPTTF funding requested for obligations	\$ 16,201,329
Minus: Six-month total for items denied or reclassified as administrative cost	
Item 84	60,000
Item 231	98,219
Item 240	37,960
Item 241	46,721
Item 242	102,201
Item 243	105,121
Item 244	134,321
Item 245	23,087
Item 246	16,790
Item 247	35,679
Item 248	24,090
Item 249	10,950
Item 250	38,325
Item 251	36,135
Item 252	59,592
Item 253	29,390
Item 254	3,583
Item 255	50,710
Item 256	157,853
Item 257	35,635
Item 258	6,269
Item 259	10,028
Item 260	77,899
Item 261	82,906
Item 262	1,882,106
Item 263	702
Total approved RPTTF for enforceable obligations	\$ 13,035,057
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost	391,052
Minus: ROPS II prior period adjustment	-
<b>Total RPTTF approved for distribution:</b>	<b>\$ 13,426,109</b>

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2012 period. The amount of RPTTF approved in the above table includes the prior period adjustment that was self-reported by the Agency. HSC Section 34186 (a) also specifies that the prior period adjustments self-reported by successor agencies are subject to audit by the county auditor-controller (CAC) and the State Controller. Any proposed CAC adjustments were not received in time for inclusion in this letter. Therefore, the amount of RPTTF approved in the above table includes only the prior period adjustment that was self-reported by the Agency.

Please refer to the ROPS 13-14A schedule that was used to calculate the approved RPTTF amount:

<http://www.dof.ca.gov/redevelopment/ROPS/ROPS 13-14A Forms by Successor Agency/>

This is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 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 denied on this ROPS or a preceding ROPS. The only exception is for those items that have received a Final and Conclusive determination from Finance pursuant to HSC 34177.5 (i). Finance's review of items that have received a Final and Conclusive determination is limited to confirming the scheduled payments as required by the obligation.

The amount available from the RPTTF is the same as the amount of 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.

To the extent proceeds from bonds issued after December 31, 2010 exist and are not encumbered by an enforceable obligation pursuant to 34171 (d), HSC section 34191.4 (c)(2)(B) requires these proceeds be used to defease the bonds or to purchase those same outstanding bonds on the open market for cancellation.

Please direct inquiries to Kylie Le, Supervisor or Michael Barr, Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY  
Local Government Consultant

cc: Ms. Pam Statsmann, Assistant Finance Director, City of Lancaster  
Ms. Kristina Burns, Manager, Los Angeles County Department of Auditor-Controller  
California State Controller's Office