



April 11, 2013

Mr. Omar Dadabhoy, Community Development Director
City of Stanton Successor Agency
7800 Katella Avenue
Stanton, CA 90680

Dear Mr. Dadabhoy:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Stanton Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14A) to the California Department of Finance (Finance) on February 25, 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 obligations:

- Item No. 11 – Ampco Contract in the amount of \$700,000. This public works contract is between the City of Stanton (City) and Ampco Contracting. The Agency is neither a party to the contract nor responsible for payment of the contract. Therefore, this line item is not an enforceable obligation and not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.
- Item Nos. 14 and 28 – Various housing obligations totaling \$12,200. 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 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.
- Item No. 45 – Prior Period Legal Services in the amount of \$60,000. It was determined that an error was made by the Agency; the total amount shown for the 6-month period should be \$40,000; therefore an adjustment in the amount of \$20,000 has been made.
- Item Nos. 46 through 59, and 61 – Various Tina-Pacific Neighborhood Rehabilitation Projects totaling \$18.8 million, including \$4.8 million in 2011 bond proceeds. It is our understanding that contracts for these line items were 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. Therefore, this item is not an enforceable obligation.

Additionally, these line items were denied by Finance as an inclusion to the ROPS for the period January through June 2013, and again through the Meet and Confer process in our letter dated December 18, 2012. Finance continues to deny these items.

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.

- Item No. 62 – City Option Agreement in the amount of 4.8 million, funded by other funds. HSC section 34163 (e) prohibits the RDA from acquiring real property by any means for any purpose, and HSC section 34163 (f) prohibits the RDA from transferring, assigning, vesting, or delegating any of its assets to any entity. And, the agreement is between the City and the former RDA. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city, county, or city and county that created the RDA and the former RDA are not enforceable obligations. Therefore, this item is not an enforceable obligation.

Additionally, this line item was denied by Finance as an inclusion to the ROPS for the period January through June 2013, and again through the Meet and Confer process in our letter dated December 18, 2012. Finance continues to deny this item.

- Item Nos. 13, 26 through 27, and 32 – Code Enforcement Prosecution, Palazzo Maintenance, and Unemployment and Workers Compensation Insurance costs totaling \$166,100 are considered general administrative costs and have been reclassified. Although this reclassification increased administrative costs to \$165,368, the administrative cost allowance has not been exceeded

Except for items denied in whole or in part as enforceable obligations, Finance is not objecting to the remaining items 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/

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is \$1,190,175 as summarized below:

Approved RPTTF Distribution Amount For the period of July through December 2013	
Total RPTTF funding requested for obligations	\$ 3,854,560
Minus: Six-month total for items denied or reclassified as administrative cost	
Item 11	350,000
Item 13*	15,000
Item 14	5,000
Item 26*	4,000
Item 27*	1,300
Item 28	2,000
Item 32*	4,000
Item 45	20,000
Items 46-59	2,403,500
Total approved RPTTF for enforceable obligations	\$ 1,060,060
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost	165,368
Minus: ROPS II prior period adjustment	(35,253)
Total RPTTF approved for distribution:	\$ 1,190,175

*Reclassified as administrative cost

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. 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. The amount of RPTTF approved in the above table includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

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/](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)

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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 Nichelle Thomas, Supervisor or Alex Watt, Lead Analyst at (916) 445-1546.

Sincerely,

A handwritten signature in black ink, appearing to be 'Steve Szalay', with a stylized flourish and a small 'K' or similar mark below it.

STEVE SZALAY
Local Government Consultant

cc: Ms. Terri Marsh, Director of Administrative Services, City of Stanton
Mr. Frank Davies, Property Tax Manager, County of Orange
California State Controller's Office