DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR
915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

April 19, 2012

Robert Neiuber, Deputy Executive Director
City of Covina
125 E. College Street
Covina, CA 91723

Dear Mr. Neiuber:

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the Covina Successor Agency submitted a Recognized Obligation Payment Schedule (ROPS) to the California Department of Finance (Finance) on April 5, 2012, for the periods January through June 2012 and July through December 2012. Finance staff contacted you for clarification of items listed in the ROPS.

HSC section 34171 (d) lists enforceable obligation (EO) characteristics. Based on a sample of line items reviewed and application of the law, the following do not qualify as EOs:

January through June 2012 Period

- Item No. 12 on page 1 in the amount of $754,711 for a contract between the City of Covina and MG Enterprises. This item is a contract with the City and not the former RDA. Therefore, the item is not an EO.

- Item No. 22 and 23 on page 1 in the amount of $113,532 for cooperative agreements between the City of Covina and the Covina RDA. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city, county, or city and county that created the redevelopment agency and the former redevelopment agency are not enforceable obligations. Therefore, these items are not EOs.

- Item No. 26 and 28 on page 1 in the amount of $48,478 are for projects without signed contracts. Therefore, these items are not EOs.

- Item No. 1 on page 3 in the amount of $44,000 is for Housing Set Aside Deferral. The requirement to set aside 20 percent of RDA tax increment for low and moderate income housing purposes ended with the passing of the redevelopment dissolution legislation. HSC section 34177 (d) requires that all unencumbered balances in the Low and Moderate Income Housing Fund be remitted to the county auditor controller for distribution to the taxing entities. Therefore, this item is not an EO.

- An administrative expense in the amount of $28,370 is not an EO. Item No. 25 on page 1 in the amount of $148,370 for administrative costs was used in place of the $142,000 provided in the Successor Agency Administrative Budget. HSC section 34171 (b) limits administrative expenses to five percent of property tax allocated to the successor agency or $250,000, whichever is greater. Five percent of the property tax allocated is $80,789. Therefore, the administrative cost allowance will be $250,000.

July through December 2012 Period

- Item No. 1 on page 2 in the amount of $44,000 for Housing Set Aside Deferral. The requirement to set aside 20 percent of RDA tax increment for low and moderate income housing purposes ended with the passing of the redevelopment dissolution legislation. HSC section 34177 (d) requires that all unencumbered balances in the Low and Moderate Income Housing Fund be remitted to the county auditor controller for distribution to the taxing entities.

- Administrative expense of $22,000 is not an EO. HSC section 34171 (b) limits administrative expenses to five percent of property tax allocated to the successor agency or $250,000, whichever is greater. Five percent of the property tax allocated is $176,183. Therefore, the administrative cost allowance will be $250,000.

As authorized by HSC section 34179 (h), Finance is returning your ROPS for your reconsideration. This action will cause the specific ROPS items noted above to be ineffective until Finance approval. Furthermore, items listed on future ROPS will be subject to review and may be denied as EOs.

If you believe we have reached this conclusion in error, please provide further evidence that the items questioned above meet the definition of an EO.

Please direct inquiries to Robert Scott, Supervisor or Michael Barr, Lead Analyst at (916) 322-2985.

Sincerely,

MARK HILL
Program Budget Manager

cc: Ms. Kristina Burns, Program Specialist III, Los Angeles County