



May 27, 2012

Kristen Petersen, Assistant City Manager  
City of Duarte  
1600 Huntington Drive  
Duarte, CA 91010

Dear Ms. Petersen:

Subject: Recognized Obligation Payment Schedule Approval Letter

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the City of Duarte (City) Successor Agency submitted Recognized Obligation Payment Schedules (ROPS) to the California Department of Finance (Finance) on May 17, 2012 for the periods of January to June 2012 and July to December 2012 period. Finance is assuming appropriate oversight board approval. Finance has completed its review of your ROPS, which may have included obtaining clarification for various items.

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

January to June 2012 ROPS:

- Page 1, item 8 – Property Tax Admin Fee payable to Los Angeles County in the amount of \$1.4 million. Los Angeles County Auditor-Controller deducts property tax collection fees from the successor agency's tax increment prior to distribution. Therefore, this line item should not be included in the ROPS.
- Page 1, item 13 – Housing Authority Obligation for the amount of \$16.6 million. Grant Agreements showed that this obligation was to be funded with Low and Moderate Income Housing Fund and future Housing Set Aside Funds. ABx1 26 eliminated the low-mod set-aside requirement. 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.
- Page 1, items 21, 22, and 23 – Loans payable to the City totaling \$3.9 million. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city that created the redevelopment agency (RDA) and the former RDA are not enforceable unless the loan agreements were entered into within the first two years of the date of the creation of the RDA.

July to December 2012 ROPS:

- Page 1, item 8 – Property Tax Admin Fee payable to Los Angeles County in the amount of \$1.4 million. Los Angeles County Auditor-Controller deducts property tax collection

fees from the successor agency's tax increment prior to distribution. Therefore, this line item should not be included in the ROPS.

- Page 1, item 13 – Housing Authority Obligation for the amount of \$16.9 million. Grant Agreements showed that this obligation was to be funded with Low and Moderate Income Housing Fund and future Housing Set Aside Funds. ABx1 26 eliminated the low-mod set-aside requirement. 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.
- Page 1, items 21, 22, and 23 – Loans payable to the City totaling \$3.9 million. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city that created the RDA and the former RDA are not enforceable unless the loan agreements were entered into within the first two years of the date of the creation of the RDA.

Except for the preceding items disallowed in whole or in part as enforceable obligations, Finance is approving the remaining items listed in your ROPS for both periods. This is our determination with respect to any items funded from the Redevelopment Property Tax Trust Fund (RPTTF) for the June 1, 2012 property tax allocations. If your oversight board disagrees with our determination with respect to any items not funded with property tax, any future resolution of the disputed issue may be accommodated by amending the ROPS for the appropriate time period. Items not questioned during this review are subject to a subsequent review, if they are included on a future ROPS. If an item included on a future ROPS is not an enforceable obligation, Finance reserves the right to remove that item from the future ROPS, even if it was not removed from the preceding ROPS.

Please refer to Exhibit 12 at [http://www.dof.ca.gov/assembly\\_bills\\_26-27/view.php](http://www.dof.ca.gov/assembly_bills_26-27/view.php) for the amount of RPTTF that was approved by Finance based on the schedule submitted.

As you are aware, the amount of available RPTTF is the same as the property tax increment that was available prior to ABx1 26. 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 in the RPTTF.

Please direct inquiries to Evelyn Suess, Supervisor or Mindy Patterson, Lead Analyst at (916) 322-2985.

Sincerely,



MARK HILL  
Program Budget Manager

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