



May 11, 2012

Thomas E. Lynch, Assistant City Manager
City of Norwalk
12700 Norwalk Blvd
P.O.Box 1030
Norwalk, CA 90651-1030

Dear Mr. Lynch:

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), City of Norwalk (City) Successor Agency submitted a Recognized Obligation Payment Schedule (ROPS) to the California Department of Finance (Finance) on April 27, 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 ROPS:

- Items 4 and 5, page 1 – Reimbursement agreements between Los Angeles County and the former redevelopment agency (RDA) totaling \$39.7 million. The reimbursement agreements are not EO's unless a repayment schedule existed before June 28, 2011.
- Item 7, page 1; items 9 and 11, page 2 – Loans and advances between the City and the former RDA totaling \$19.3 million. HSC section 34171 (d) (2) states that loans between the entity that created the redevelopment agency (RDA) and the former RDA are only enforceable if made within the first two years of the RDA's existence.
- Items 6, page 1 – Cooperative agreement in the amount of \$1 million. The obligation amount could not be validated and the amount appears to be duplicative on both January through June 2012 and July through December 2012 ROPS.
- Items 10, page 2 – Judges Parking Structure project totaling \$219,920. HSC section 34163 (b) prohibits a RDA from entering into a contract with any entity after June 27, 2011. It is our understanding that there are no contracts in place for this project.
- Administrative costs claimed exceed allowance by \$11,608. HSC section 34171 (b) limits fiscal year 2011-12 administrative expenses to five percent of property tax allocated to the successor agency or \$250,000, whichever is greater. Five percent of property tax allocation is \$212,452. The administrative cost allowance is \$250,000. Line items 2 through 5, 7, 8, page 2; and items 1 through 3, page 3 are considered administrative costs.

July through December 2012 ROPS:

- Items 4 and 5, page 1 – Reimbursement agreements between Los Angeles County and the former RDA totaling \$39.7 million. The reimbursement agreements are not EO's unless a repayment schedule existed before June 28, 2011.
- Item 7 page 1; items 5 and 7, page 2 – Loans and advances between the City and the former RDA totaling \$20 million. HSC section 34171 (d) (2) states that loans between the entity that created the redevelopment agency (RDA) and the former RDA are only enforceable if made within the first two years of the RDA's existence.
- Items 6, page 1 – Cooperative agreement in the amount of \$1 million. The obligation amount could not be validated and the amount appears to be duplicative on both January through June 2012 and July through December 2012 ROPS.
- Items 6, page 2 – Judges Parking Structure project totaling \$100,000. HSC section 34163 (b) prohibits a RDA from entering into a contract with any entity after June 27, 2011. It is our understanding that there are no contracts in place for this project.
- Administrative cost claimed exceeds allowance by \$23,798. HSC section 34171 (b) limits fiscal year 2012-13 administrative expenses to three percent of property tax allocated to the successor agency or \$250,000, whichever is greater. Three percent of property tax allocation is \$82,979. The administrative cost allowance is \$250,000. Line items 9 through 11, page 1; items 2 and 3, page 2; and items 1 through 5, page 3 are considered administrative costs.

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 and send to the following email address:

Redevelopment_Administration@dof.ca.gov

Finance may continue to review items on the ROPS in addition to those mentioned above and identify additional issues. We will provide separate notice if we are requesting further modifications to the ROPS. It is our intent to provide an approval notice with regard to each ROPS prior to the June 1 property tax distribution date.

Mr. Lynch
May 11, 2012
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Please direct inquiries to Evelyn Suess, Supervisor, or Doug Evans, Lead Analyst at (916) 322-2985.

Sincerely,

A handwritten signature in cursive script that reads "Mark Hill".

MARK HILL
Program Budget Manager

cc: Mr. Michael J. Egan, City Manager, City of Norwalk
Ms. Kristina Burns, Program Specialist III, Los Angeles County Auditor Controller



**DEPARTMENT OF
FINANCE**

EDMUND G. BROWN JR. ■ GOVERNOR

915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DDF.CA.GOV

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Thomas Lynch
Tlynch@norwalkca.gov

Michael J. Egan, City Manager
megan@norwalkca.gov

Kristina Burns, Program Specialist III
kburns@auditor.lacounty.gov

(ROPS Denial Letter v. 05/03/12)