



April 27, 2012

Mike Miller, Housing Manager  
City of Palmdale  
38250 Sierra Highway  
Palmdale, CA 93550

Dear Mr. Miller:

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), The City of Palmdale Successor Agency submitted a Recognized Obligation Payment Schedule (ROPS) to the California Department of Finance (Finance) on April 13, 2011 for the period of July thru 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:

- Page 3, Item 6 and 14 for Cooperation Agreement and Consulting Services, totaling \$1.196 billion. There are no contracts to support this amount.
- Set Aside, page 8, line items 11 and 12, in the amount of \$511 million. 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.
- Administrative cost allowance overstated by \$170,312. HSC section 34171 (b) limits administrative costs to five percent of property tax allocated or \$250,000, whichever is greater. Five percent of the allocation is \$1,804,925. Therefore, \$170,312 is not an EO. Administration costs include page 4, lines 1 through 16, page 5, lines 21 through 24, and 26 through 33, page 7, line 29, and page 8, lines 7, 8, 15, 16, 19 and 20.

As authorized by HSC section 34179 (h), Finance is returning your ROPS for reconsideration. This action will cause the 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 or Jenny DeAngelis at (916) 322-2985.

Sincerely,

MARK HILL  
Program Budget Manager

cc: Ms. Jill Ward, Principal Manager, Housing Division, City of Palmdale  
Ms. Kristina Burns, Program Specialist III, County of Los Angeles