DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR
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May 10, 2012

David A. Klug, Redevelopment Manager
City of Pasadena
100 N. Garfield Ave., Room S116
Pasadena, CA 91101

Dear Mr. Klug:

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the City of Pasadena (City) Successor Agency submitted a Recognized Obligation Payment Schedule (ROPS) to the California Department of Finance (Finance) on April 27, 2012 for the periods of 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:

- Advances and loans between the City and the former redevelopment agency (RDA) on pages 1 and 2 totaling $132.9 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.

- Cooperative Agreement on page 2 totaling $21 million. 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.

- Playhouse Business Improvement District, Lincoln Avenue Specific Plan, Old Pasadena Business Improvement District and Project Administration on pages 1 and 2 totaling $359,742. HSC section 34163 (b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011. It is our understanding that contracts for these line items were awarded after June 27, 2011.

- Housing Set-Aside (20 percent match for HUD Home Funds) on page 1 totaling $123,468. 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. In addition, no contract has been executed for this project.

- Housing Set-Aside (Mar Vista Housing Project) on page 1 totaling $1.1 million is for a contract between the City of Pasadena and the National Community Renaissance of California. This item is for a contract with the City and not the former RDA.

- Administrative cost claimed exceeds allowance by $647,449. 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 the property tax allocated to the City of Pasadena equaled $483,383; therefore, $647,449 of the claimed $1.1 million is being questioned. The following items were considered administrative costs:

Administrative Expenses	Amounts
Total Personnel Costs	$ 421,419
Material & Supplies	7,952
Computer-related Supplies	4,985
Equipment Purchase	4,345
Outside Printing	2,500
Legal & Other Advertising	1,250
Outside Legal Services	141,000
Photocopy Machine Maintenance	2,500
Contract Services	72,075
Consultant Services	130,000
Data Processing Operations	2,955
Support to Advisory	6,000
Dues & Membership	1,000
Conf & Meetings	3,000
Reference Material	625
Postage	500
Abatement	232,144
Internal Service Charges	96,582
Total	**$1,130,832**

<u>July through December 2012 ROPS</u>:

- Advances and loans from the City of Pasadena on pages 1 and 2 totaling $116.6 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.

- Cooperative Agreement on page 2 totaling $19.8 million. 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.

- Playhouse Business Improvement District, Lincoln Avenue Specific Plan, Old Pasadena Business Improvement District and Project Administration on pages 1 and 2 total $582,752. HSC section 34163 (b) prohibits the RDA from entering into a contract with

any entity after June 27, 2011. It is our understanding that contracts for these line items were awarded after June 27, 2011.

- Housing Set-Aside (20 percent match for HUD Home Funds) on page 1 totaling $123,468. 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. In addition, no contract has been executed for this project.

- Housing Set-Aside (Mar Vista Housing Project) on page 1 totaling $1.1 million is for a contract between the City of Pasadena and the National Community Renaissance of California. This item is for a contract with the City and not the former RDA.

- Administrative cost claimed exceeds allowance by $66,698. 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 the property tax allocated to the City of Pasadena equaled $432,010; therefore, $66,698 of the claimed $1.1 million is being questioned.

Administrative Expenses	Amounts
Total Personnel Costs	$ 152,712
Material & Supplies	9,540
Computer-related Supplies	5,982
Equipment Purchase	5,214
Outside Printing	3,000
Legal & Other Advertising	1,500
Outside Legal Services	177,918
Photocopy Machine Maint.	1,248
Contract Services	86,490
Consultant Services	30,000
Data Processing Operations	3,546
Support to Advisory	1,200
Dues & Membership	1,200
Conf & Meetings	1,500
Reference Material	750
Postage	600
Abatement	3,546
Internal Service Charges	12,762
Total	**$ 498,708**

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 submit to the email:

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.

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

Sincerely,

/Mark Hill

MARK HILL
Program Budget Manager

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