



April 27, 2012

Kenneth A. Domer, Assistant City Administrator
City of Placentia
401 E. Chapman Avenue
Placentia, CA 92870

Dear Mr. Domer:

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the City of Placentia (City) Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS) to the California Department of Finance (Finance) on April 16, 2012 for the period January through June 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:

- Item 5 – Amended and Restated Reimbursement Agreement between Redevelopment Agency and the City for \$8.6 million. HSC section 34171 (d) (2) states “enforceable obligation” does not include any agreements, contracts, or arrangements between the city, county, or city and county that created the redevelopment agency and former redevelopment agency.
- Item 21 – Low-Moderate income housing fund set aside in the amount of \$224,000. The requirement to set aside 20 percent of RDA tax increment for low land 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 expenses of \$262,083. HSC section 34171 (b) limits administrative expenses to five percent of property tax allocated to the successor agency or \$250,000, whichever is greater. Therefore, \$262,083 of the claimed \$512,083 in administrative costs is not an EO. The following items are considered administrative expenses: Items 6 through 8, 11, 19, 22, and 23.

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.

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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 black ink that reads "Mark Hill". The signature is written in a cursive, slightly slanted style.

MARK HILL
Program Budget Manager

cc: Mr. Troy Butzlaff, City Administrator, City of Placentia
Ms. Karen Ogawa, Finance Director, City of Placentia
Mr. Frank Davies, Administrative Manager, Orange County