



May 31, 2012

Carmen Magana, Finance Manager
City of Santa Clarita
23920 Valencia Blvd., Suite 295
Santa Clarita, CA 91355-2196

Dear Ms. Magana:

Subject: Recognized Obligation Payment Schedule Approval Letter

Pursuant to Health and Safety Code (HSC) section 34177 (I) (2) (C), City of Santa Clarita Successor Agency (SA) submitted a Recognized Obligation Payment Schedules (ROPS) to the California Department of Finance (Finance) on April 27, 2012 for the periods January through June 2012 and July through December 2012. As a result of Finance's review a letter was sent on May 26, 2012. Finance is assuming appropriate oversight board approval. Finance has completed its review of your ROPS, which included obtaining clarification for various items

On May 11, 2012, Finance sent the SA a letter detailing items considered not enforceable as defined by HSC section 34171 (d). On May 17, 2012, the SA responded with a letter and documents for Finance to reconsider our conclusions in our May 12, 2012 letter. Below is the result of our reconsideration. The items summarized below are still considered not enforceable.

January through June 2012 ROPS

- Item Nos. 3 through 5 – City loans totaling \$3.6 million. HSC section 34171 (d) (2) states loan agreements between the city that created the redevelopment agency (RDA) and the former RDA are not enforceable obligations, unless the loan was entered into with two years of when the redevelopment agency was established.
- Item No. 22 - Metrolink Landscape Construction in the amount of \$8,022. Documentation provided identifies the City, not the former RDA, as being contractually obligated to the third party. Therefore, this item does not qualify as an EO.
- Item 23 for project management costs in the amount of \$20,000. As the associated project is not an enforceable obligation, management of the project would also not qualify as an EO.
- Administrative expense of \$88,520 is not allowed. HSC section 34171 (b) limits the 2011-12 administrative cost allowance to five percent of the property tax allocated to the successor agency or \$250,000. Five percent of the property tax allocated is \$56,122. Therefore, \$88,520 of the claimed \$338,520 is not an EO. The following items are administrative costs: page 1, item nos. 6 though 10, 12, and 14.
- Item Nos. 1 and 2 – Bond debt service payments totaling \$1.4 million. HSC section 34177 (I) (3) states ROPS shall be forward looking for the next six months only. These amounts are duplicated in both ROPS, and as they are not payable during this period they are not EOs.

July through December 2012 ROPS

Item No. 3 – City Loan in the amount of \$420,056. HSC section 34171 (d) (2) states loan agreements between the city that created the redevelopment agency (RDA) and the former RDA are not enforceable obligations, unless the loan was entered into with two years of when the redevelopment agency was established.

Except for items being disallowed in whole or in part as enforceable obligations as noted above, Finance is approving the remaining items listed in your ROPS for both periods. This letter supersedes previous letters and 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 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 Robert Scott, Supervisor or Kylie Le, Lead Analyst at (916) 322-2985.

Sincerely,



MARK HILL
Program Budget Manager

cc: Mr. Darren Hernandez, Director of Finance, Santa Clarita
Ms. Susan Cromsigt, Lead Analyst, Santa Clarita
Ms. Wendy Watanabe, Auditor and Controller, Los Angeles County
Ms. Kristina Burns, Auditor/Controller, Los Angeles County