



May11, 2012

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

Dear Ms. Magana:

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), City of Santa Clarita submitted a Recognized Obligation Payment Schedule (ROPS) to the California Department of Finance (Finance) on May 1, 2012 for the period 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 Period

- Items No. 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 within two years of when the redevelopment agency was established.
- Item No. 22 – Metrolink Landscape Construction in the amount of \$8,022. HSC section 34163 (b), prohibits a redevelopment agency from entering into a contract with any entities after June 27, 2011.
- Item No. 17 and 23 – Project Management Costs totaling \$35,000. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city that created the redevelopment agency (RDA) and the former RDA are not EOs.
- Excess administrative cost allowance of \$306,372 is not an EO. 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 \$86,716. Therefore, \$306,372 of the claimed \$556,372 is not an EO. The following items are administrative costs: page 1, items 8 through 20.

July through December 2012 Period

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

- Item No. 9 – Oversight Board Legal Expenses in the amount of \$17,499. HSC section 341771 (l) (3) states ROPS shall be forward looking for the next six months only. This item was to cover possible legal expenses. As this obligation is not due until sometime in the future, it is not an EO for the period.
- Excess administrative cost allowance of \$30,898 is not an EO. HSC section 34171 (b) limits the administrative cost allowance to three percent of the property tax allocated to the successor agency or \$250,000, whichever is greater. Three percent of the property tax allocated is \$32,122. Therefore, \$30,898 of the claimed \$280,898 is not an EO. The following items are administrative expenses: page 1, items 6a, 6b and 9.
- Item No. 1 and 2 – Bond debt service payments totaling \$1.4 million. These payments were duplicated on the January through June 2012 ROPS and the July through December 2012 ROPS. Duplicated obligations are not enforceable.

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.

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.

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 following email address:

[Redevelopment\\_Administration@dof.ca.gov](mailto:Redevelopment_Administration@dof.ca.gov)

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, City of Santa Clarita  
Ms. Susan Crowsigt, Lead Analyst, City of Santa Clarita  
Ms. Wendy Watanabe, Auditor and Controller, Los Angeles County