



April 20, 2012

Omar Dadabhoy, Community Development Director
City of Stanton
7800 Katella Avenue
Stanton, CA 90680

Dear Mr. Dadabhoy:

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the City of Stanton Successor Agency submitted a Recognized Obligation Payment Schedule (ROPS) to the California Department of Finance (Finance) on April 6, 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 1, line items 3 through 5 in the amount of \$12.2 million for unexpended bond funds. Section 34177(i) states "bond proceeds shall be used for the purposes for which bonds were sold unless the purposes can no longer be achieved, in which case, the proceeds may be used to defease the bonds." ABx1 26 does not allow successor agencies to enter into new contracts, unless those contracts are specifically required pursuant to the terms of another pre-existing contract that meets the requirements of ABx1 26, or are specifically required by bond indentures. The above requirements have not been established. Therefore, the unexpended may not be used to enter into new obligations.
- Page 1, line items 21, 22, 24, and 27; and page 3, line items 3, 12, 13, 14, 15, 17, 18, 21, and 23 are various projects for \$35.4 million with no expenditure contracts in place.
- Page 1, line item 17 is a Cooperative Agreements totaling \$16.2 million. HSC section 34163 (b) prohibits a redevelopment agency from entering into a contract with any entity after June 28, 2011. The RDA did not enter into a contract prior to this date.
- Page 1, line item 19; and page 3, line item 10 are Option Agreements for property transfers. HSC sections 34163(e) and (f) prohibit these transactions.
- Page 3, line item 8 in the amount of \$6.4 million of rental income to pay employee costs. HSC section 34162(a)(6) states the pledging or encumbering of revenue is not allowed.
- Administrative costs totaling \$334,234 for the January through June 2012 period is not an EO. HSC section 34171 (b) limits administrative expenses for fiscal year 2011-12 to five percent of property tax allocated to the successor agency or \$250,000, whichever is greater. Five percent of the property tax allocated is \$5,122. Therefore, \$334,234 of the

claimed \$584,234 in administrative costs is not an EO. The following line items were considered administrative costs:

- o Page 1 – Items 12, 13, 14, 15, 16, 20, 23, 25, 26, and 29
- o Page 3 – Item 29

- Page 3, line item 11 in the amount of \$1.4 million is for low – moderate income housing fund. 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.

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.

Please direct inquiries to Robert Scott, Supervisor or Douglas Evans, Lead Analyst at (916) 322-2985.

Sincerely,



MARK HILL
Program Budget Manager

cc: Ms. Patricia Vazquez, Deputy City Clerk, City of Stanton
Ms. Terri Marsh, Administrative Services Director, City of Stanton