



May 18, 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 Stanton Successor Agency submitted a Recognized Obligation Payment Schedule (ROPS) to the California Department of Finance (Finance) on May 3, 2012 for the period 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:

- Page 1, line items 3 through 5 – Unencumbered or unexpended bond proceeds totaling \$12.2 million for 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 item 11 – Cooperative Agreement with the City of Stanton (City) for \$16.2 million. 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 projects were not awarded prior to June 28, 2011.
- Page 1, line items 14, 22, 23, 26, and 28; page 2, line item 3; and page 3, line items 6 and 9 – Various projects totaling \$24.3 million. 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 lines items were not executed by June 27, 2011.
- Page 3, line items 5 and 8 – Option Agreements with the City for property sales/transfers totaling \$17.2 million. HSC section 34163 (e) prohibits the redevelopment agency from acquiring real property by any means for any purpose. In addition, HSC section 34163 prohibits the redevelopment agency from transferring, assigning, vesting, or delegating any of its assets to any entity.

- Administrative cost claimed exceeds allowance by \$1,112,154. HSC section 34171 (b) limits administrative expenses for fiscal year 2012-13 to three percent of property tax allocated to the successor agency or \$250,000, whichever is greater. Three percent of the property tax allocated is \$107,763. Therefore, the administrative cost allowance is \$250,000. The following line items were considered administrative costs:
  - Page 1 - Items 7, 8, 9, 10, 19, and 20
  - Page 2 - Item 1
  - Page 4 - Item 1

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 following email address:

[Redevelopment\\_Administration@dof.ca.gov](mailto: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 Brian Dunham, 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  
Mr. Frank Davies, Administrative Manager, County of Orange