



May 25, 2012

Al Hernandez, City Administrator
City of San Fernando
117 Macneil Street
San Fernando, CA 91340

Dear Mr. Hernandez:

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the City of San Fernando (City) Successor Agency submitted a Recognized Obligation Payment Schedule (ROPS) to the California Department of Finance (Finance) on May 13, 2012 for the periods January through June 2012 and July through December 2012. Finance is assuming oversight board approval. Finance staff contacted you for clarification of items listed in the ROPS.

HSC section 34171 (d) lists enforceable obligations (EO) characteristics. Based on a sample of items reviewed and application of the law, the following items do not qualify as (EO).

January through June 2012 ROPS

- Item No. 5 – State California Housing Finance Agency (CalHFA) Loan for \$912,692. The \$912,692 relates to a March 5, 2002 agreement with the City and California Housing Finance Agency. This agreement is with the City and not with the former RDA. Therefore, the California Housing Finance Agreement Loan is not an EO.
- Item Nos. 7 through 10 – Administrative expenses of \$19,590. The 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, whichever is greater. The City is allowed \$250,000 for administration costs. Therefore, \$19,590 of the claimed \$269,590 is not allowed.
- Item No. 14 – Loan for \$3,777,504. HSC section 34171 (d) (2) states that loans between the entity that created the redevelopment agency (RDA) and the former RDA are only enforceable if made within the first two years of the RDA's existence. The RDA was established in 1965. The loan agreement was made subsequent to the first two-year period. Therefore, neither the loan nor the advance is an EO.

July through December 2012 ROPS

- Item No. 5 – State CalHFA Loan for \$940,073. The \$940,073 relates to a March 5, 2002 agreement with the City and California Housing Finance Agency. This agreement is with the City and not with the former RDA. Therefore, the California Housing Finance Agreement Loan is not an EO.
- Item No. 14 – Loan for \$3,777,504. HSC section 34171 (d) (2) states that loans between the entity that created the redevelopment agency (RDA) and the former RDA are only enforceable if made within the first two years of the RDA's existence. The RDA

was established in 1965. The loan agreement was made subsequent to the first two-year period. Therefore, neither the loan nor the advance is an EO.

Except for items disallowed in whole or in part as EOs noted above, Finance is approving the remaining items listed in your ROPS for both periods. This 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 Chikako Takagi-Galamba, Supervisor or Cindie Lor, Lead Analyst at (916) 322-2985.

Sincerely,



MARK HILL
Program Budget Manager

cc: Ms. Kristina Burns, Program Specialist III, Office of the Los Angeles County Auditor
Mr. Federico Ramirez, City Planner, Community Development of San Fernando