



December 17, 2013

Mr. Julio Morales, Finance Director  
City of Huntington Park  
6550 Miles Avenue  
Huntington Park, CA 90255

Dear Mr. Morales:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated November 4, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Huntington Park Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14B) to Finance on September 26, 2013, for the period of January through June 2014. Finance issued a ROPS determination letter on November 4, 2013. Subsequently, the Agency requested a Meet and Confer session on one or more of the items denied by Finance. The Meet and Confer session was held on November 14, 2013.

Based on a review of additional information and documentation provided to Finance during the Meet and Confer process, Finance has completed its review of the specific items being disputed.

A prior period adjustment (PPA) in the amount of \$2,258,499 was reported by the Los Angeles County Auditor Controller (CAC). During the Meet and Confer, the Agency stated the PPA would cause the Agency to have insufficient funds to pay debt service payments during the ROPS 13-14B period. The Agency provided additional information and documentation to explain the CAC's PPA. Based on our review, Finance approves the increase in RPTTF in the amount of \$2,217,460 (\$560,290 + \$1,239,923 + \$417,247) as further discussed below:

Our review indicates that the Agency requested and received Redevelopment Property Tax Trust Fund (RPTTF) for their 2013 annual debt service payments on the January through June 2013 (ROPS III). On the ROPS III, the Agency's self-reported PPA indicated expending RPTTF in the amount that was due during the ROPS III period; however, the Agency did not request to retain the debt service amount received for the July through December 2013 period on the July through December 2013 ROPS. Therefore, the CAC determined that the remaining funds for Item Nos. 1 and 2, in the amount of \$1,800,213 (\$560,290 + \$1,239,923, respectively), were not expended during the ROPS III period and should be adjusted in the PPA.

Our review also indicates that the Agency had insufficient funds during the July through December 2012 (ROPS II) period to pay Item No. 3 in the amount of \$417,247 in debt service. The Agency reported that debt reserve was used to pay the obligation and once RPTTF was received in the ROPS III period, the reserve was replenished. During the Meet and Confer, the Agency was able to provide supporting documentation identifying the shortfall, the payment of the bond debt service, and the repayment of the bond reserve. The Agency reported expending RPTTF for the repayment of debt service on their ROPS III PPA; however, the CAC properly reported that the Agency did not have authorization to expend these funds during the ROPS III period and made an adjustment in the amount of \$417,247.

Based on the above reasons, Finance will increase the amount of RPTTF requested by \$2,217,460. Because the Agency received the administrative allowance for these amounts during the ROPS II and III period, these amounts will not be included in the base for the calculation of administrative allowance for the ROPS 13-14B period.

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14B form the estimated obligations and actual payments (prior period adjustments) associated with the January through June 2013 period. HSC Section 34186 (a) also specifies that the prior period adjustments self-reported by successor agencies are subject to audit by the county auditor-controller (CAC) and the State Controller. The amount of RPTTF approved in the below table includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

Except for the item denied in part as enforceable obligation, Finance is not objecting to the remaining items listed on your ROPS 13-14B. The Agency's maximum approved RPTTF distribution for the reporting period is \$3,403,571 as summarized below:

<b>Approved RPTTF Distribution Amount</b>	
Total RPTTF requested for non-administrative obligations	3,319,610
Total RPTTF requested for administrative obligations	125,000
<b>Total Requested RPTTF</b>	<b>\$ 3,444,610</b>
<u>Adjusted Items</u>	
Item No. 1	560,290
Item No. 2	1,239,923
Item No. 3	417,247
	<u>2,217,460</u>
Total RPTTF approved for non-administrative obligations	<u>5,537,070</u>
Total RPTTF approved for administrative obligations	125,000
<b>Total RPTTF approved for obligations</b>	<b>\$ 5,662,070</b>
ROPS III prior period adjustment	<u>(2,258,499)</u>
<b>Total RPTTF approved for distribution</b>	<b>3,403,571</b>

Pursuant to HSC section 34177 (I) (1) (E), agencies are required to use all available funding sources prior to RPTTF for payment of enforceable obligations. Beginning with the ROPS 13-14B period, Finance required successor agencies to identify fund balances for various types of funds in its possession. During our ROPS 13-14B review, Finance requested financial records to support the fund balances reported by the Agency; however, Finance was unable to reconcile the financial records to the amounts reported. As a result, Finance will continue to work with the Agency after the ROPS 13-14B review period to properly identify the Agency's fund balances. If it is determined the Agency possesses fund balances that are available to pay approved obligations, the Agency should request the use of these fund balances prior to requesting RPTTF in ROPS 14-15A.

Please refer to the ROPS 13-14B schedule that was used to calculate the approved RPTTF amount:

[http://www.dof.ca.gov/redevelopment/ROPS/ROPS 13-14B Forms by Successor Agency/](http://www.dof.ca.gov/redevelopment/ROPS/ROPS%2013-14B%20Forms%20by%20Successor%20Agency/).

This is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2014. This determination applies only to items where funding was requested for the six month period. Finance's determination is effective for this time period only and should not be conclusively relied upon for future periods. All items listed on a future ROPS are subject to a subsequent review and may be denied even if it was or was not denied on this ROPS or a preceding ROPS. The only exception is for those items that have received a Final and Conclusive determination from Finance pursuant to HSC 34177.5 (i). Finance's review of items that have received a Final and Conclusive determination is limited to confirming the scheduled payments as required by the obligation.

The amount available from the RPTTF is the same as the amount of property tax increment that was available prior to enactment of ABx1 26 and AB 1484. 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 to the successor agency in the RPTTF.

To the extent proceeds from bonds issued after December 31, 2010 exist and are not encumbered by an enforceable obligation pursuant to HSC section 34171 (d), HSC section 34191.4 (c)(2)(B) requires these proceeds be used to defease the bonds or to purchase those same outstanding bonds on the open market for cancellation.

Please direct inquiries to Evelyn Suess, Dispute Resolution Supervisor or Derk Symons, Analyst, at (916) 445-1546.

Sincerely,



JUSTYN HOWARD  
Assistant Program Budget Manager

cc: Ms. Fernanda Palacios, Project Manager, City of Huntington Park  
Ms. Kristina Burns, Manager, Los Angeles County Department of Auditor-Controller  
California State Controller's Office