



May 17, 2013

Ms. Betty Jo Garcia, Finance Director  
City of Avalon  
410 Avalon Canyon Road  
Avalon, CA 90704

Dear Ms. Garcia:

Subject: Recognized Obligation Payment Schedule

This letter supersedes California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS 13-14A) letter dated April 13, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the Avalon Community Improvement Successor Agency (Agency) submitted a ROPS 13-14A to Finance on February 28, 2013 for the period of July through December 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 April 25, 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 item being disputed.

- Item No. 11 – general counsel legal services in the amount of \$44,217. Finance originally reclassified this item as administrative costs. The Agency contends the legal costs area associated with specific project implementation activities and for purposes of addressing the threat of litigation by providing legal services to oversee projects to wind down the RDA. As such, the services are excluded from the definition of administrative cost allowance, and therefore Finance no longer classifies the item as an administrative cost.
- Item No. 21 – Down Payment Assistance Program in the amount of \$500,000. Finance originally denied the item because HSC section 34163 (b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011. It is our understanding contracts for this line item have not yet been awarded. Pursuant to HSC section 34191.4 (c), the Agency's request to use bond funds for these obligations may be permitted once the Agency receives a finding of completion from Finance if the bond proceeds in question were issued prior to January 1, 2011.

Finance is no longer denying this item. HSC section 34176 (g) authorizes the housing entity to designate the use of and commit bond proceeds that remain after the satisfaction of enforceable obligations that have been approved in a ROPS and that are consistent with the bond covenants. On February 19, 2013, the successor housing entity notified the Agency of designations and commitments of 2003 housing bond

proceeds and requested the item be listed on ROPS 13-14A. The following required conditions are met; therefore, this item is considered an enforceable obligation:

- o Based on review of the confirmations and other documents provided by the housing entity, it appears that the use of bond proceeds is consistent with the bond covenants.
- o The Agency's financial records and US bank statements as of March 31, 2013 indicate that there are sufficient funds available.

Except for items denied in whole or in part as enforceable obligations, Finance is not objecting to the remaining items listed on your ROPS 13-14A. Obligations deemed not to be enforceable shall be removed from your ROPS. This is Finance's final determination related to the enforceable obligations reported on your ROPS for July through December 2013. Finance's determination is effective for this time period only and should not be conclusively relied on 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 Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is \$1,700,596 as summarized below:

<b>Approved RPTTF Distribution Amount</b>	
<b>For the period of July through December 2013</b>	
Total RPTTF funding requested for obligations	\$ 1,631,666
Total approved RPTTF for enforceable obligations	\$ 1,631,666
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost	125,000
Minus: ROPS II prior period adjustment	(56,070)
<b>Total RPTTF approved for distribution:</b>	<b>\$ 1,700,596</b>

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2012 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 above table includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

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

[http://www.dof.ca.gov/redevelopment/ROPS/ROPS 13-14A Forms by Successor Agency/](http://www.dof.ca.gov/redevelopment/ROPS/ROPS_13-14A_Forms_by_Successor_Agency/).

This is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2013. 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.

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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 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 Chikako Takagi-Galamba, Manager or Anna Kyumba, Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY  
Local Government Consultant

cc: Mr. Ken Lee, Senior Associate, RSG, Inc.  
Ms. Kristina Burns, Manager, Los Angeles County Department of Auditor-Controller  
California State Controller's Office