



May 25, 2012

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

Dear Ms. Garcia:

Subject: Recognized Obligation Payment Schedule Approval Letter

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the City of Avalon Successor Agency submitted Recognized Obligation Payment Schedules (ROPS) to the California Department of Finance (Finance) on May 8, 2012 for the periods of January to June and July to December 2012. Finance is assuming appropriate oversight board approval. Finance has completed its review of your ROPS, which may have included obtaining clarification for various items.

In Finance's letter dated May 21, 2012, we questioned the following items:

January through June ROPS

- Item No. 6 for an agreement with the City in the amount of \$1,000,000.
- Excess administrative costs in the amount of \$305,336.

July through December ROPS

- Item No. 6 for an agreement with the City in the amount of \$1,000,000.
- Item No. 17 for deferred Pass-Through payments in the amount of \$3,768,340.
- Excess administrative costs in the amount of \$311,793.

For January through June, Finance is revising the amount disallowed for excess administrative costs to \$0.

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.

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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 Wendy Griffe, Lead Analyst at (916)322-2985.

Sincerely,



MARK HILL
Program Budget Manager

cc: Mr. Ken Lee, Consultant for City of Avalon, RSG, Inc.
Ms. Kristina Burns, Program Specialist III, Office of the Los Angeles County Auditor