



May 27, 2012

Barbara Boswell, Finance Director
City of Lancaster
44933 N. Fern Avenue
Lancaster, CA 93534

Dear Ms. Boswell:

Subject: Recognized Obligation Payment Schedule Approval Letter

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the City of Lancaster Successor Agency submitted Recognized Obligation Payment Schedules (ROPS) to the California Department of Finance (Finance) on May 16, 2012 for the periods January to June 2012 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.

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:

January through June 2012 ROPS:

- Page 1, line item 7 in the amount of \$75.2 million. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city that created the redevelopment agency (RDA) and the former RDA are not enforceable unless the loan agreements were entered into within the first two years of the date of the creation of the RDA.
- Administrative cost claimed exceeds allowance by \$392,950. HSC section 34171 (b) limits fiscal year 2011-12 administrative expenses to five percent of property tax allocated to the successor agency or \$250,000, whichever is greater. Five percent of the property tax allocation is \$171,288; therefore, \$392,950 of the claimed \$642,950 is disallowed. The administrative cost allowance is \$250,000. The following items are considered administrative costs:

Page	Item	Project Name/Debt Obligation	Amount
1	1	Administration Costs	\$250,000
1	2	Administration Costs	3,750
1	3	Administration Costs	16,000
1	4	Property Tax Analysis and Audit	1,500
2	46	Legal Services	1,700
2	55	Legal Services	370,000
		Total:	\$642,950

July through December 2012 ROPS:

- Page 1, line item 46 in the amount of \$37.5 million. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city that created the redevelopment agency (RDA) and the former RDA are not enforceable unless the loan agreements were entered into within the first two years of the date of the creation of the RDA.
- Page 2, line item 136 in the amount of \$132.6 million. HSC section 34163(b) prohibits a redevelopment agency from entering into a contract, incurring obligations, or making commitments to, any entity, whether governmental, tribal, or private, or any individual or groups of individuals for any purpose. This item is part of a housing plan, but no agreements or contracts have been executed.
- Administrative cost claimed exceeds allowance by \$307,662. HSC section 34171 (b) limits fiscal year 2012-13 administrative expenses to three percent of property tax allocated to the successor agency or \$250,000, whichever is greater. Three percent of the property tax allocation is \$262,242; therefore, \$307,662 of the claimed \$569,904 is being questioned. The following items are considered administrative costs:

Page	Item	Project Name/Debt Obligation	Amount
1	1	Annual Audit	\$16,000
1	2	Property Tax Analysis and Audit	3,000
2	134	Legal Services	60,000
2	135	AVAAA vs. Lancaster	30,000
4	1	Administration Costs	460,904
		Total:	\$569,904

Except for items disallowed in whole or in part as enforceable obligations 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.

Ms. Boswell
May 27, 2012
Page 3

Please direct inquiries to Evelyn Suess, Supervisor or Michael Barr, Lead Analyst at (916) 322-2985.

Sincerely,

A handwritten signature in black ink that reads "Mark Hill". The signature is written in a cursive, flowing style.

MARK HILL
Program Budget Manager

cc: Ms. Kristina Burns, Program Specialist III, Los Angeles County Auditor/Controller Office