



May 7, 2012

Carol Augustine, Finance Director
City of Menlo Park
701 Laurel Street
Menlo Park, CA 94025

Dear Ms. Augustine:

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the City of Menlo Park Successor Agency submitted a Recognized Obligation Payment Schedule (ROPS) to the California Department of Finance (Finance) on May 1, 2012 for the periods January through June 2012 and July through December 2012. Finance staff contacted you for clarification of items listed in the ROPS.

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

- Administrative expenses totaling \$4,500. HSC section 34171 (b) limits administrative expenses to five percent of property tax allocated to the successor agency or \$250,000 for 2011-12, whichever is greater. Five percent of the property tax allocated is \$134,107. Therefore, \$4,500 of the claimed \$254,500 is not an EO. The following items were considered administrative expenses: items 11 and 15 on page 1.

As authorized by HSC section 34179 (h), Finance is returning your ROPS for your reconsideration. This action will cause the specific ROPS items noted above to be ineffective until Finance approval. Furthermore, items listed on future ROPS will be subject to review and may be denied as EOs.

Department of Finance may continue to review items on the ROPS in addition to those mentioned above and identify additional issues. We will provide separate notice if we are requesting further modifications to the ROPS. It is our intent to provide an approval notice with regard to each ROPS prior to the June 1 property tax distribution date.

If you believe we have reached this conclusion in error, please provide further evidence that the items questioned above meet the definition of an EO.

Please direct inquiries to Chikako Takagi-Galamba, Supervisor or Cindie Lor, Lead Analyst at (916) 322-2985.

Sincerely,

MARK HILL
Program Budget Manager

cc: Mr. Bob Adler, Controller, San Mateo County Controller's Office