



May 27, 2012

Gustavo Lamanna, Esquire
Kane, Ballmer & Berkman
515 South Figueroa Street, Suite 1850
Los Angeles, CA 90071-3301

Dear Mr. Lamanna:

Subject: Recognized Obligation Payment Schedule Approval Letter

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the City of Vernon Successor Agency (City) submitted Recognized Obligation Payment Schedules (ROPS) to the California Department of Finance (Finance) on May 18, 2012 for the period of January to June 2012 and July to December 2012. Finance is assuming oversight board approval. Finance has completed its review of your ROPS which may have included obtaining clarification for various items.

January through June 2012 ROPS:

- HSC section 34171 (b) limits the 2011-12 administrative cost allowance to five percent of the property tax allocated to the successor agency or \$250,000, whichever is greater. Five percent of the property tax allocated is \$91,869. As a result, the administrative cost allowance is \$250,000. The following items are considered administrative costs:

Line item	Page	Project Name/Debt Obligation	Amount
1	3	Supplies	\$2,298
2	3	Auditing Services	39,996
4	1	Legal Services for real estate and 2005 and 2011 bonds	130,002
9	1	Insurance Premiums - on RDA owned properties	9,468
		Total:	\$181,764

July through December 2012 ROPS:

- Administrative cost claimed exceeds allowance by \$65,738. HSC section 34171 (b) limits the 2012-13 administrative cost allowance to three percent of the property tax allocated to the successor agency or \$250,000, whichever is greater. Three percent of the property tax allocated is \$114,949. As a result, the administrative cost allowance is \$250,000. The following items are considered administrative costs:

Line Item	Page	Project Name/Debt Obligation	Amount
1	3	Legal Representation for Successor Agency	\$78,000
2	3	10% & 20% of City Staff time and supplies to wind down RDA	47,100
4	3	Legal Services for real estate and 2005 and 2011 bonds	130,002
5	3	Insurance Premiums - on RDA owned properties	11,400
6	3	Auditing Services	39,996
7	1	Utilities cost for property owned	9,000
8	1	Security system for property owned	240
		Total:	\$315,738

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

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

Sincerely,



MARK HILL
Program Budget Manager

cc: Ms. Kristina Burns, Project Specialist III, Los Angeles County Auditor Controller's Office