



September 28, 2012

Mr. Douglas Dumhart, Community Development Director
City of La Palma
7822 Walker Street
La Palma, CA 90623

Dear Mr. Dumhart:

Subject: Recognized Obligation Payment Schedule Approval Letter

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of La Palma Successor Agency submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on August 15, 2012 for the period of January through June 2013. Finance has completed its review of your ROPS III, which may have included obtaining clarification for various items.

HSC section 34171 (d) defines enforceable obligations. Based on a sample of line items reviewed and application of the law, the following do not qualify as enforceable obligations:

Item Nos. 3 and 4 – Loan agreements, totaling \$4.8 million. These agreements are between the City of La Palma and the former redevelopment agency (RDA). HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city that created the RDA and the former RDA are not enforceable. This shall remain the case until and unless a finding of completion is issued by Finance and the oversight board makes a finding that the loan was for legitimate redevelopment purposes per HSC section 34191.4 (b). Therefore, these items are not enforceable obligations and not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.

Furthermore, the following items were reclassified as administrative costs:

Item Nos. 5 through 8, 11, and 12, totaling \$34,500. These obligations represent general administrative expenses. Although this reclassification increased administrative costs to \$51,500, the administrative cost allowance has not been exceeded.

Except for items denied in whole or in part as enforceable obligations as noted above, Finance is approving the remaining items listed in your ROPS III. If you disagree with the determination with respect to any items on your ROPS III, you may request a Meet and Confer within five business days of the date of this letter. The Meet and Confer process and guidelines are available at Finance's website below:

http://www.dof.ca.gov/redevelopment/meet_and_confer/

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is \$922,775 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2013	
Total RPTTF funding requested for obligations	\$ 1,102,975
Less: Six-month total for items denied or reclassified as administrative cost	
Item No. 3	0
Item No. 4	197,200
Item No. 5*	3,000
Item No. 6*	7,000
Item No. 7*	8,400
Item No. 8*	500
Item No. 11*	12,000
Item No. 12 *	3,600
Total approved RPTTF for enforceable obligations	\$ 871,275
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	51,500
Total RPTTF approved:	\$ 922,775

*Reclassified as administrative cost

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS III form the estimated obligations and actual payments associated with the January through June 2012 period. The amount of RPTTF approved in the above table will be adjusted by the county auditor-controller to account for differences between actual payments and past estimated obligations. Additionally, these estimates and accounts are subject to audit by the county auditor-controller and the State Controller.

Please refer to the ROPS III schedule that was used to calculate the approved RPTTF amount:

<http://www.dof.ca.gov/redevelopment/ROPS/ROPS III Forms by Successor Agency/>.

All items listed on a future ROPS are subject to a subsequent review. An item included on a future ROPS may be denied even if it was not questioned from the preceding ROPS.

The amount available from the RPTTF is the same as the 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.

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Please direct inquiries to Nichelle Thomas, Supervisor or Wendy Griffe, Lead Analyst at
(916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Mr. Michael Solorza, Finance Director, City of La Palma
Mr. Frank Davies, Property Tax Manager, Orange County