



October 13, 2012

Mr. Ron Clark, Finance Officer
City of La Verne
3660 D Street
La Verne, CA 91750

Dear Mr. Clark:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the La Verne Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on August 29, 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 No. 7 and 8 – Cooperative Agreement and loan between the City and the Agency, totaling \$455,687. HSC section 34171 (d) (2) states that agreements and loans between the entity that created the redevelopment agency (RDA) and the former RDA are not enforceable obligations, unless issued within two years of the RDA's creation date or for issuance of indebtedness to third-party investors or bondholders. Upon receiving a Finding of Completion from Finance, HSC section 34191.4 (b) may cause the loan to be enforceable in a future ROPS period.
- Item No. 16 – Request for July 2012 True Up payment in the amount of \$1.6 million. This line item is the remaining balance of the true-up payment due to the Los Angeles Auditor Controller per the July 9, 2012 Notice for Demand Letter. The July 2012 True Up process was to collect residual pass-through payments owed to the affected taxing entities for the January through June 2012 period, and is not tied to an enforceable obligation as defined in HSC section 34171 (d). Therefore, this item is not an enforceable obligation and not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding on this ROPS.
- Claimed administrative costs exceed the allowance by \$75,000. HSC section 34171 (b) limits the fiscal year 2012-13 administrative expenses to three percent of property tax allocated to the Agency or \$250,000, whichever is greater. As a result, the Agency is eligible for \$250,000 for administrative expenses. The Los Angeles Auditor Controller's Office distributed \$172,000 administrative costs for the July through December 2012 period, thus leaving \$78,000 available for the January through June 2013 period.

Although \$125,000 is claimed for administrative costs, Item no. 14 in the amount of \$28,000 is considered an administrative expense and should be counted toward the cap. Therefore, \$75,000 of excess administrative cost is not allowed.

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 RPTTF distribution for the reporting period is: \$399,117 as summarized below:

| Approved RPTTF Distribution Amount For the period of January through June 2013 | |
|---|-------------------|
| Total RPTTF funding requested for obligations | \$ 1,958,442 |
| Less: Six-month total for items denied or reclassified as administrative cost | |
| Line 7 ** | 0 |
| Line 8 ** | 0 |
| Line 14* | 28,000 |
| Line 16 | 1,609,325 |
| Total approved RPTTF for enforceable obligations | \$ 321,117 |
| Plus: Allowable RPTTF distribution for administrative cost for ROPS III | 78,000 |
| Total RPTTF approved: | \$ 399,117 |

* Reclassified as administrative cost

** No funding requested during this period

| Administrative Cost Calculation | |
|--|-------------------|
| Total RPTTF for the period July through December 2012 | 0 |
| Total RPTTF for the period January through June 2013 | 321,117 |
| Total RPTTF for fiscal year 2012-13: | \$ 321,117 |
| Allowable administrative cost for fiscal year 2012-13 (Greater of 3% or \$250,000) | 250,000 |
| Administrative allowance for the period of July through December 2012 | 172,000 |
| Allowable RPTTF distribution for administrative cost for ROPS III: | \$ 78,000 |

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.

Please direct inquiries to Kylie Le, Supervisor or Michael Barr, Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Mr. Richard Martinez, Accounting Manager, City of La Verne
Ms. Kristina Burns, Program Specialist III, Los Angeles County