



December 18, 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

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated October 13, 2012. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of 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 1 through June 30, 2013. Finance issued its determination related to those enforceable obligations on October 13, 2012. Subsequently, the Agency requested a Meet and Confer session on one or more of the items denied by Finance. The Meet and Confer session was held on November 7, 2012.

Based on a review of additional information and documentation provided to Finance during the Meet and Confer process, Finance has completed its review of the specific item being disputed.

- Item No. 3 – Note Payable to Towne Center totaling \$210,144 RPTTF. Finance did not select this Item for review during this ROPS period. However, the Agency has request that we review it during the Meet and Confer process. Unfortunately, at this time due to workload constraints Finance is not able to conduct a review of this Item. However, exercising our authority to review any Item listed on any future ROPS, Finance will thoroughly review this Item during the next ROPS period.
- Item No. 8 – Loan between the City and the Agency, totaling \$455,687. Finance continues to deny this Item at this time. 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. We note that no payment was requested for the upcoming period.
- Item 14 – Professional Services Contract for Project Expenses totaling \$28,000. Finance is no longer reclassifying this Item as an administrative cost. HSC section 34171 (b) provides that employee costs associated with work on specific project implementation activities, including, but not limited to, construction inspection, project

management, or actual construction, shall be considered project-specific costs. Therefore, this Item should not be included in the Administrative cost cap calculation.

- Claimed administrative costs exceed the allowance by \$47,000. 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. \$125,000 is claimed for administrative costs during this period. Therefore, \$47,000 of excess administrative cost is not allowed.

In addition, per Finance's ROPS letter dated October 15, 2012, the following item is not disputed by the Agency and continues to be denied:

Item No. 7 – Cooperative Agreement; no funding source stated. 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.

The Agency's maximum approved RPTTF distribution for the reporting period is: \$427,117 as summarized below:

<b>Approved RPTTF Distribution Amount</b>	
<b>For the period of January through June 2013</b>	
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 16	1,609,325
Total approved RPTTF for enforceable obligations	<u>\$ 349,117</u>
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	<u>78,000</u>
<b>Total RPTTF approved:</b>	<b>\$ 427,117</b>

\* Reclassified as administrative cost

\*\* No funding requested during this period

<b>Administrative Cost Calculation</b>	
Total RPTTF for the period July through December 2012	0
Total RPTTF for the period January through June 2013	321,117
<b>Total RPTTF for fiscal year 2012-13:</b>	<b>\$ 321,117</b>
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
<b>Allowable RPTTF distribution for administrative cost for ROPS III:</b>	<b>\$ 78,000</b>

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.

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.

Except for items disallowed as noted above, Finance is not objecting to the remaining items listed in your ROPS III. Obligations deemed not to be enforceable shall be removed from your ROPS. This is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2013. Finance's determination is effective for this time period only and should not be conclusively relied upon for future periods. All items listed on a future ROPS are subject to a subsequent review and may be denied even if it was or was not questioned on this ROPS or a preceding ROPS.

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Please direct inquiries to Evelyn Suess, Dispute Resolution Supervisor, or Daniele Brandon, 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  
California State Controller's Office