



December 18, 2012

Mr. Daniel Buffalo, Finance Director
City of Lakeport
225 Park Street
Lakeport, CA 95453

Dear Mr. Buffalo:

Subject: Recognized Obligation Payment Schedule

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated October 12, 2012. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Lakeport 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 12, 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 30, 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. 9 – Lakeport Main Street Improvement Project in the amount of \$2.8 million. Finance continues to deny this item at this time. Finance denied the item as it is an agreement between the City of Lakeport and the Lakeport Main Street Association. Since the former Redevelopment Agency is neither a party to the contract nor responsible for payment of the contract, this line item is not an enforceable obligation of the Agency. Upon receiving a Finding of Completion from Finance, these items may become eligible for bond funding pursuant to HSC section 34191.4 (c).

The Agency requested further clarification on the usage of bond proceeds. The item is not eligible for bond funding at this time. However, successor agencies may be eligible to expend bonds issued prior to January 1, 2011, once a Finding of Completion is received pursuant to HSC 34191.4 (c). Those obligations should be reported on a subsequent ROPS.

- Finance determined administrative costs exceed the allowance by \$70,496. HSC section 34171 (b) limits fiscal year 2012-13 administrative costs to three percent of property tax allocated to the successor agency or \$250,000, whichever is greater. As a result, the Agency is eligible for \$250,000 in administrative cost allowance for fiscal year 2012-13. The Auditor Controller's Office distributed \$126,518 of administrative costs for the July through December 2012 period, thus leaving a balance of \$123,482 available

for the January through June 2013 period. Therefore, \$70,496 of the claimed \$193,978 is not allowed. However, based on further review, Finance approved \$126,518 of administrative costs, but the Auditor Controller's Office distributed \$56,022 for administrative costs due to insufficient Redevelopment Property Tax Trust Fund (RPTTF). Since the Agency did not receive \$70,496 of its approved administrative allowance for the July through December 2012 period, they have not exceeded their administrative allowance.

The Agency's maximum approved RPTTF distribution for the reporting period is: \$328,218 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2013	
Total RPTTF funding requested for obligations	\$ 134,240
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	193,978
Total RPTTF approved:	\$ 328,218
Administrative Cost Calculation	
Total RPTTF for the period July through December 2012	\$ 425,009
Total RPTTF for the period January through June 2013	134,240
Total RPTTF for fiscal year 2012-13:	\$ 559,249
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	56,022
Allowable RPTTF distribution for administrative cost for ROPS III:	\$ 193,978

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.

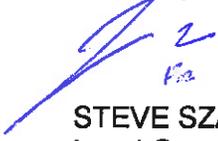
The amount available from the RPTTF is the same as the property tax increment that was available prior to enactment of ABx1 26 and AB 1484. This amount is not and never was an unlimited funding source. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax is limited 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 Mary Halterman, Analyst, at (916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Ms. Margaret Silveira, City Manager, City of Lakeport
Ms. Cathy Saderlund, Auditor-Controller, County of Lake
California State Controller's Office