



December 18, 2012

Mr. Daniel Rofoli, Consultant  
Los Angeles County Community Development Commission  
2 Coral Circle  
Monterey Park, CA 91755

Dear Mr. Rofoli:

Subject: Recognized Obligation Payment Schedule

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated September 27, 2012. Pursuant to Health and Safety Code (HSC) section 34177 (m), the Los Angeles County Successor Agency (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 1 through June 30, 2013. Finance issued its determination related to those enforceable obligations on September 27, 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 October 17, 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.

- Items 3 – Legal Representation totaling \$210,000 is considered administrative expenses and has been reclassified. Finance continues to reclassify this item as administrative costs. The Agency contends the item is an enforceable obligation because the Agency is a separate legal entity from the County and the legal services are required to wind down the former RDA. However, the legal services for item 3 relate to general legal representation, not litigation expenses, and does not fall into any of the categories that are specifically excluded from the administrative cap as defined by HSC section 34171 (b). In addition, HSC section 34171 (b) limits fiscal year 2012-13 administrative expenses to three percent of property tax allocated to the successor agency or \$250,000, whichever is greater. The Agency is eligible for \$250,000 in administrative expenses. The Los Angeles Auditor Controller's Office distributed \$125,000 of administrative costs for the July through December 2012 period, thus leaving a balance of \$125,000 available for the January through June 2013 period. Therefore, \$30,000 for legal services exceeds the administrative cost cap and is not allowed.

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is: \$177,052 as summarized below:

Total RPTTF funding requested for obligations	\$ 82,052
Less: Six-month total for item reclassified as administrative cost Item No. 3	30,000
Total approved RPTTF for enforceable obligations	\$ 52,052
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	125,000
<b>Total RPTTF approved:</b>	<b>\$ 177,052</b>

<b>Administrative Cost Calculation</b>	
Total RPTTF for the period July through December 2012	\$ 53,400
Total RPTTF for the period January through June 2013	82,052
<b>Total RPTTF for fiscal year 2012-13:</b>	<b>\$ 135,452</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	125,000
<b>Allowable RPTTF distribution for administrative cost for ROPS III:</b>	<b>\$ 125,000</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.

Please direct inquiries to Evelyn Suess, Dispute Resolution Supervisor, or Danielle Brandon, Analyst, at (916) 445-1546.

Sincerely,

  
STEVE SZALAY  
Local Government Consultant

cc: on the following page

Mr. Rofoli  
December 18, 2012  
Page 3

cc: Ms. Denise Mendoza, Analyst, Los Angeles County Community Development  
Commission  
Ms. Kristina Burns, Manager, Los Angeles County Auditor-Controller's Office  
California State Controller's Office