



October 14, 2012

Mr. Alex Kung, Assistant to the City Administrator  
4305 Santa Fe Avenue  
Vernon, CA 90058

Dear Mr. Kung:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Vernon successor agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on August 30, 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, claimed administrative costs exceed the allowance by \$212,682. 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. As a result, the Agency is eligible for \$287,318 in administrative expenses. The Los Angeles Auditor Controller's Office distributed \$250,000 for the July through December 2012 period, thus leaving a balance of \$37,318 available for the January through June 2013 period. Therefore, \$212,682 of the claimed \$250,000 is not allowed.

Except for item denied in whole or in part as enforceable obligation 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/](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: \$5,782,968 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	\$ 5,745,650
Less: Six-month total for item(s) denied or reclassified as administrative cost	0
Total approved RPTTF for enforceable obligations	\$ 5,745,650
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	37,318
<b>Total RPTTF approved:</b>	<b>\$ 5,782,968</b>

<b>Administrative Cost Calculation</b>	
Total RPTTF for the period July through December 2012	\$ 3,831,629
Total RPTTF for the period January through June 2013	5,745,650
<b>Total RPTTF for fiscal year 2012-13:</b>	<b>\$ 9,577,279</b>
Allowable administrative cost for fiscal year 2012-13 (Greater of 3% or \$250,000)	287,318
Administrative allowance for the period of July through December 2012	250,000
<b>Allowable RPTTF distribution for administrative cost for ROPS III:</b>	<b>\$ 37,318</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.

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

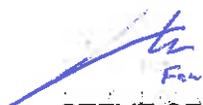
[http://www.dof.ca.gov/redevelopment/ROPS/ROPS III Forms by Successor Agency/](http://www.dof.ca.gov/redevelopment/ROPS/ROPS%20III%20Forms%20by%20Successor%20Agency/).

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. Gustavo Lamanna, Esq, Counsel to Successor Agency  
Ms. Kristina Burns, Manager, Los Angeles County Department of Auditor Controller