



May 2, 2013

Mr. Alex Kung, Assistant to the City Administrator  
City of Vernon  
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 13-14A) to the California Department of Finance (Finance) on March 21, 2013 for the period of July through December 2013. Finance has completed its review of your ROPS 13-14A, which may have included obtaining clarification for various items.

Based on our review the following adjustments were made:

- It is our understanding the Agency requested the incorrect principal and interest payment on this ROPS for the 2011 Tax Allocation Bonds, identified as Item No. 4. The \$1,580,378 requested relates to the September 2012 debt service payment. Per the repayment schedule, the current six month amount due in September 2013 is \$1,632,853. To help ensure the 2011 Tax Allocation Bonds are not defaulted, Finance is increasing the Redevelopment Property Tax Trust Fund (RPTTF) funding source by \$52,475 for Item No. 4.
- Per clarification with Agency staff, it is our understanding the accumulated rental income totaling \$293,808 identified as Item Nos. 17 and 18 is available as a funding source for enforceable obligations. Included in this amount is \$2,975 for property tax obligation, identified as Item No. 2. Therefore, to the extent possible, the remaining \$290,833 of rental income should fund obligations identified on the ROPs.

Pursuant to HSC section 34177 (l) (1) (E), RPTTF funding should be requested to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation. Therefore, Item Nos. 1, 7, 8, 12, 14, 15, 19, 20, and 22 requesting RPTTF as the funding source have been reclassified to 'Other'. In addition, for Item No. 16, \$211,473 was partially reclassified to 'Other'. As a result, the Agency's request for RPTTF funding will be reduced by \$290,833 to account for the rental income received by the Agency.

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 obligation(s):

- Item No. 21 – Meet and confer request in the amount of \$65,332 does not meet the definition of an enforceable obligation. Pursuant to a letter dated December 17, 2012, Finance reviewed the adjustments proposed by the County Auditor Controller to reduce \$65,332 from the January through June 2013 (ROPS III) distribution for prior period adjustments pursuant to HSC 34186 (a). As part of the review, Finance considered all supporting documentation provided by those Agencies that disputed the adjustments calculated by the County Auditor Controller.

It is our understanding a Meet and Confer session was held on October 18, 2012. In addition, a supplemental Meet and Confer was held on December 18, 2012, requesting Finance to not approve the reduction of \$65,332. The prior period adjustment process is to account for the differences between actual payments and past estimated obligations on the ROPS and is not tied to an enforceable obligation as defined in HSC section 34171 (d). Therefore, this line item is not an enforceable obligation and not eligible for RPTTF funding on the ROPS. In addition, pursuant to HSC section 34186 (a), the authority to audit the prior period adjustment lies with the County Auditor Controller and not Finance.

Except for items denied in whole or in part as an enforceable obligation, Finance is not objecting to the remaining item(s) listed on your ROPS 13-14A. This determination applies only to items where funding was requested for the six month period. If you disagree with the determination with respect to any items on your ROPS 13-14A, 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 \$6,427,413 as summarized below:

<b>Approved RPTTF Distribution Amount</b>	
<b>For the period of July through December 2013</b>	
Total RPTTF funding requested for obligations	\$ 6,587,444
Add: Six-month total for additional RPTTF approved for Item No. 4:	52,475
Minus: Six-month total for items reclassified as 'Other':	290,833
Minus: Six-month total for items denied or reclassified as administrative cost Item 21	65,332
Total approved RPTTF for enforceable obligations	<u>\$ 6,283,754</u>
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost	<u>143,659</u>
Minus: ROPS II prior period adjustment	<u>-</u>
<b>Total RPTTF approved for distribution:</b>	<b>\$ 6,427,413</b>

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2012 period. HSC Section 34186 (a) also specifies that the prior period adjustments self-reported by successor agencies are subject to audit by the county auditor-controller (CAC) and the State Controller. The amount of RPTTF approved in the above table includes the prior period adjustment resulting from the CAC’s audit of the Agency’s self-reported prior period adjustment.

Please refer to the ROPS 13-14A schedule that was used to calculate the approved RPTTF amount:

[http://www.dof.ca.gov/redevelopment/ROPS/ROPS 13-14A Forms by Successor Agency/](http://www.dof.ca.gov/redevelopment/ROPS/ROPS%2013-14A%20Forms%20by%20Successor%20Agency/).

This is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 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 denied on this ROPS or a preceding ROPS. The only exception is for those items that have received a Final and Conclusive determination from Finance pursuant to HSC 34177.5 (i). Finance's review of items that have received a Final and Conclusive determination is limited to confirming the scheduled payments as required by the obligation.

The amount available from the RPTTF is the same as the amount of 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.

To the extent proceeds from bonds issued after December 31, 2010 exist and are not encumbered by an enforceable obligation pursuant to 34171 (d), HSC section 34191.4 (c)(2)(B) requires these proceeds be used to defease the bonds or to purchase those same outstanding bonds on the open market for cancellation.

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  
California State Controller's Office