



May 21, 2012

Ms. Betty Jo Garcia, Finance Director
City of Avalon
410 Avalon Canyon Road
Avalon, CA 90704

Dear Ms. Garcia:

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the City of Avalon (City) Successor Agency submitted a Recognized Obligation Payment Schedule (ROPS) to the California Department of Finance (Finance) on May 8, 2012 for the periods January through June 2012 and July through December 2012. Finance staff recently contacted you for further clarification of items listed in the ROPS.

HSC section 34171 (d) lists enforceable obligations (EO) characteristics. Based on a sample of items reviewed and application of the law, the following items do not qualify as (EO).

January through June 2012 ROPS

- Item No. 6 - Pebbly Beach Road Construction for \$1,000,000. The \$1,000,000 relates to a March 7, 2011 agreement with the City of Avalon and Santa Catalina Island Company. This agreement is with the City and not with the former RDA. Therefore, the Santa Catalina Island Company agreement is not an EO.
- Administrative expenses of \$305,336. The HSC section 34171 (b) limits the 2011-12 administrative cost allowance to five percent of the property tax allocated to the successor agency or \$250,000, whichever is greater. Therefore, \$305,336 of the claimed \$555,336 is not allowed. The following items are administrative expenses: Item Nos. 3, 9 through 13, 16, 17, 24 through 27, and 29 through 32.

July through December 2012 ROPS

- Item No. 6 - Pebbly Beach Road Construction for \$1,000,000. The \$1,000,000 relates to a March 7, 2011 agreement with the City of Avalon and Santa Catalina Island Company. This agreement is with the City and not with the former RDA. Therefore, the Santa Catalina Island Company agreement is not an EO.
- Item No. 17 – Cumulative Deferred Pass-Through to the County of Los Angeles for \$3,768,340. HSC section 34183 requires pass-through payments to be made by the county auditor controller prior to distribution of property tax to the successor agency. Therefore, these deferred pass-through payments should not be listed in the ROPS.
- Administrative expenses of \$311,793. The HSC section 34171 (b) limits the 2011-12 administrative cost allowance to three percent of the property tax allocated to the successor agency or \$250,000, whichever is greater. Therefore, \$311,793 of the

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claimed \$561,793 is not allowed. The following items are administrative expenses: Item Nos. 3, 9, 10, 12, 15, 16, 18, and 19.

As authorized by HSC section 34179 (h), Finance is returning your ROPS for your reconsideration. This action will cause the ROPS items noted above to be ineffective until Finance approval. Furthermore, items listed on future ROPS will be subject to review and may be denied as EOs.

Department of Finance may continue to review items on the ROPS in addition to those mentioned above and identify additional issues. We will provide separate notice if we are requesting further modifications to the ROPS. It is our intent to provide an approval notice with regard to each ROPS prior to the June 1 property tax distribution date.

If you believe we have reached this conclusion in error, please provide further evidence that the items questioned above meet the definition of an EO and submit to the following email address:

Redevelopment_Administration@dof.ca.gov

Please direct any inquiries to Chikako Takagi-Galamba, Supervisor or Wendy Griffe, Lead Analyst at (916) 322-2985.

Sincerely,



MARK HILL
Program Budget Manager

cc: Mr. Ken Lee, Consultant for City of Avalon, RSG, Inc.
Ms. Kristina Burns, Program Specialist III, Office of the Los Angeles County Auditor