



April 27, 2012

James R. Riley, CPA
 Director of Administrative Services
 City of Lake Elsinore
 130 S. Main Street
 Lake Elsinore, CA 92530

Dear Mr. Riley:

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the City of Lake Elsinore Successor Agency submitted a Recognized Obligation Payment Schedule (ROPS) to the California Department of Finance (Finance) on April 12, 2012 for the period January through June 2012. Finance staff contacted you for clarification of items listed in the ROPS.

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

- Administrative cost claimed exceeds allowance by \$45,927 (see table below for calculation). HSC section 34171 (b) limits administrative expenses to five percent of property tax allocated to the successor agency or \$250,000, whichever is greater.

Administrative Cost Calculation				
Page	Line item	Project Name/Debt Obligation	Payment Source	Amount
1	1-19	All RPTTF	RPTTF	\$5,086,748
2	2	All RPTTF	RPTTF	14,683,006
		Total RPTTF Claimed:		\$19,769,753
		Admin Allowance (Greater of 5% or \$250,000):		\$988,488

Line Items Considered Administrative Costs				
Page	Line item	Description	Payment Source	Amount
1	20	Legal Services	RPTTF	\$125,000
1	21	Consultant fees for tax projections	RPTTF	19,625
1	23	Auditing Services	RPTTF	9,000
2	21	Legal Services	RPTTF	55,000
2	22	Consultant fees for tax projections	RPTTF	19,625
2	23	Tax sharing calculations	RPTTF	800
2	24	Auditing Services	RPTTF	8,665
3	1-3	Admin allowance	RPTTF	796,700
			Total:	\$1,034,415
			Less Admin Allowance:	988,488
			Total Disallowed Administrative Cost:	\$45,927

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As authorized by HSC section 34179 (h), Finance is returning your ROPS for your reconsideration. This action will cause the specific 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.

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.

Please direct inquiries to Evelyn Suess, Supervisor or Mindy Patterson, Lead Analyst at (916) 322-2985.

Sincerely,



MARK HILL
Program Budget Manager

cc: Ms. Pam Elias, Chief Accountant Property Tax Division, Riverside County
Auditor-Controller
Ms. April Nash, Supervising Accountant, Riverside County Auditor-Controller
Ms. Jennifer Baechel, Business Process Analyst II, Riverside County Auditor-Controller