



May 26, 2012

Graham Mitchell, City Manager/Executive Director
City of Lemon Grove
3232 Main Street
Lemon Grove, CA 91945

Dear Mr. Mitchell:

Subject: Recognized Obligation Payment Schedule Approval Letter

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the City of Lemon Grove (City) Successor Agency (Agency) submitted Recognized Obligation Payment Schedules (ROPS) to the California Department of Finance (Finance) on April 14, 2012 for the periods January to June 2012 and July to December 2012. Finance is assuming appropriate oversight board approval. Finance has completed its review of your ROPS, which may have included obtaining clarification for various items.

January to June 2012 ROPS:

After review of additional documents provided by the Agency, we are no longer questioning line items 1, 3, 5, and 8, page 1 related to the Lemon Grove Avenue Realignment project and line items 6, 9, 10, 11, 13, page 1 related to the Main Street Promenade project.

In addition, we reviewed additional documents provided by the Agency related to line item 4, page 2 for loans between the former redevelopment agency (RDA) and the City that occurred within the first 2 years of the former RDA's creation. Therefore, we are reducing the questioned amount from \$3.2 million to \$2,280,000.

June to December 2012 ROPS:

After review of additional documents provided by the Agency, we are no longer questioning line items 1 and 4, page 2 related to the Lemon Grove Avenue Realignment project and line items 8, 9 and 11, page 1 and line items 5 and 6, page 2 related to the Main Street Promenade project.

In addition, we reviewed additional documents provided by the Agency related to line item 4, page 1 for loans between the former RDA and the City that occurred within the first 2 years of the former RDA's creation. Therefore, we are reducing the questioned amount from \$3.2 million to \$2,280,000.

Except for items disallowed in whole or in part as enforceable obligations noted in Finance's letter dated April 27, 2012, as modified above, Finance is approving the remaining items listed in your ROPS. This is our determination with respect to any items funded from the Redevelopment Property Tax Trust Fund (RPTTF) for the June 1, 2012 property tax allocations. If your oversight board disagrees with our determination with respect to any items not funded with property tax, any future resolution of the disputed issue may be accommodated by amending the ROPS for the appropriate time period. Items not questioned during this review

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review, if they are included on a future ROPS. If an item included on a future ROPS is not an enforceable obligation, Finance reserves the right to remove that item from the future ROPS, even if it was not removed from the preceding ROPS.

Please refer to Exhibit 12 at http://www.dof.ca.gov/assembly_bills_26-27/view.php for the amount of RPTTF that was approved by Finance based on the schedule submitted.

As you are aware the amount of available RPTTF is the same as the property tax increment that was available prior to ABx1 26. 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 in the RPTTF.

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

Sincerely,



MARK HILL
Program Budget Manager

cc: Mr. Juan Perez, Auditor and Controller Manager, San Diego County