



December 18, 2012

Mr. David Batt, Assistant Finance Director  
City of South Pasadena  
1414 Mission St  
South Pasadena, CA 91030

Dear Mr. Batt:

Subject: Recognized Obligation Payment Schedule

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated October 3, 2012. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of South Pasadena Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on August 23, 2012 for the period of January 1 through June 30, 2013. Finance issued its determination related to those enforceable obligations on October 3, 2012. Subsequently, the Agency requested a Meet and Confer session on one or more of the items denied by Finance. The Meet and Confer session was held on October 18, 2012.

Based on a review of additional information and documentation provided to Finance during the Meet and Confer process, Finance has completed its review of those specific items being disputed.

- Item 5 – Legal Services totaling \$8,000. Finance upholds this item's reclassification as administrative costs. The Agency contends this item is for legal services related to winding down redevelopment activities and is consistent with HSC section 34177.3 (b) which allows an Agency to create an enforceable obligation to conduct the work of winding down redevelopment activities. However, item 5 relates to general legal representation which is not specifically carved out in HSC section 34171 (b). Therefore the item should be counted toward the administrative cost cap. Per Finance's ROPS letter dated October 3, 2012, the Agency has exceeded its administrative cost allowance and resulted in the denial of the portion over the cap.

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is: \$246,569 as summarized below:

<b>Approved RPTTF Distribution Amount For the period of January through June 2013</b>	
Total RPTTF funding requested for obligations	\$ 154,569
Less: Six-month total for item(s) denied or reclassified as administrative cost	
Item No. 5	8,000
Total approved RPTTF for enforceable obligations	\$ 146,569
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	100,000
<b>Total RPTTF approved:</b>	<b>\$ 246,569</b>

<b>Administrative Cost Calculation</b>	
Total RPTTF for the period July through December 2012	\$ 201,570
Total RPTTF for the period January through June 2013	146,569
<b>Total RPTTF for fiscal year 2012-13:</b>	<b>\$ 348,139</b>
Allowable administrative cost for fiscal year 2012-13 (Greater of 3% or \$250,000)	250,000
Administrative allowance for the period of July through December 2012	150,000
<b>Allowable RPTTF distribution for administrative cost for ROPS III:</b>	<b>\$ 100,000</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.

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.

Except for items disallowed as noted above, Finance is not objecting to the remaining items listed in your ROPS III. Obligations deemed not to be enforceable shall be removed from your ROPS. This is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 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 questioned on this ROPS or a preceding ROPS.

Please direct inquiries to Evelyn Suess, Dispute Resolution Supervisor or Danielle Brandon, Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY  
Local Government Consultant

cc: Mr. Chu Thai, Finance Director, City of South Pasadena  
Ms. Kristina Burns, Manager, Los Angeles County Department of Auditor-Controller  
California State Controller's Office