



May 17, 2013

Ms. Cheryl Dyas, Director of Administrative Services  
City of Mission Viejo  
200 Civic Center  
Mission Viejo, CA 92691

Dear Ms. Dyas:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS 13-14A) letter dated April 13, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Mission Viejo Successor Agency (Agency) submitted a ROPS 13-14A to Finance on February 27, 2013 for the period of July through December 2013. 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 April 29, 2013.

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

- Item No. 16 – The Ridge Affordable Housing Agreement totaling \$90,000. Finance is no longer denying this item. Per the Meet and Confer Low-Moderate Income Housing letter dated January 14, 2013, Finance determined the Affordable Housing Agreement in the amount of \$1,273,289 and the related legal services cost in the amount of \$90,000 represent enforceable obligations. Finance recommended the Agency to include the balance of the unfunded obligations on a subsequent ROPS for payment using Redevelopment Property Tax Trust Fund (RPTTF). Therefore, this line item is an enforceable obligation and eligible for RPTTF funding.
- Item Nos. 18 through 23 – Various housing administrative costs totaling \$654,000. Finance continues to deny these items. HSC 34176 (a) (1) states if a city, county, or city and county elects to retain the authority to perform housing functions previously performed by a RDA, all rights powers, duties, obligations, and housing assets shall be transferred to the city, county, or city and county. Since the Mission Viejo Housing Authority assumed the housing functions, the administrative costs associated with these functions are the responsibility of the housing successor. Therefore, these items are not enforceable obligations and are not eligible for RPTTF funding.
- Item No. 24 – Owner Participation Agreement – Kaleidoscope totaling \$35,000. Finance is no longer denying this line item. HSC section 34171 (b) allows litigation expenses related to assets or obligations to be funded with property tax outside the administrative cap. However, Item 24 relates to general legal representation and not specifically to

bringing or contesting a legal action in court; therefore, it is considered an administrative cost. Therefore, line item 24 has been reclassified to administrative costs and will be counted towards the cap. Although this reclassification increased administrative costs to \$130,000, the administrative cost allowance has not been exceeded.

- Item No. 29 – SERAF Loan repayment totaling \$50,000. Finance continues to deny this line item at this time. HSC section 34176 (e) (6) (B) specifies loan or deferral repayments to the LMIHF shall not be made prior to the 2013-14 fiscal year. While ROPS 13-14A technically falls within fiscal year 2013-14, the repayment of these loaned amounts is subject to the repayment formula outlined in HSC section 34176 (e) (6) (B).

HSC section 34176 (e) (6) (B) allows this repayment to be equal to one-half of the increase between the ROPS residual pass-through distributed to the taxing entities in that fiscal year and the ROPS residual pass-through distributed to the taxing entities in the 2012-13 base year. Since the formula does not allow for estimates, the Agency must wait until the ROPS residual pass-through distributions are known for fiscal year 2013-14 before requesting funding for this obligation. Therefore, the Agency may be able to request funding for the repayment of SERAF loans beginning with ROPS 14-15A. Therefore, this item is not an enforceable obligation and not eligible for RPTTF funding on this ROPS.

Except for items denied in whole or in part as enforceable obligations, Finance is not objecting to the remaining items listed on your ROPS 13-14A. 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 July through December 2013. Finance's determination is effective for this time period only and should not be conclusively relied on 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 Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is \$1,681,647 as summarized below:

<b>Approved RPTTF Distribution Amount For the period of July through December 2013</b>	
Total RPTTF funding requested for obligations	\$ 1,667,147
Minus: Six-month total for items denied or reclassified as administrative cost	
Item 18	500
Item 19	5,000
Item 20	20,000
Item 21	5,000
Item 22	20,000
Item 23	10,000
Item 24*	5,000
Item 29	50,000
Total approved RPTTF for enforceable obligations	\$ 1,551,647
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost	130,000
Minus: ROPS II prior period adjustment	-
<b>Total RPTTF approved for distribution:</b>	<b>\$ 1,681,647</b>

\*Reclassified as administrative cost

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_13-14A_Forms_by_Successor_Agency/).

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)

Ms. Cheryl Dyas  
May 17, 2013  
Page 4

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: Ms. Josephine Julian, Treasury Manager, City of Mission Viejo  
Mr. Frank Davies, Property Tax Manager, County of Orange  
California State Controller's Office