



April 13, 2013

Mr. Jeffrey Parker, City Manager
City of Tustin Successor Agency
300 Centennial Way
Tustin, CA 92780

Dear Mr. Parker:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Tustin Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14A) to the California Department of Finance (Finance) on February 27, 2013 for the period of July through December 2013. Finance has completed its review of your ROPS 13-14A, which may have included obtaining clarification for various items.

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

- Item No. 7 – Direct Project related costs totaling \$489,985. The Agency failed to provide sufficient documentation to support the amounts claimed. Therefore, these items are not enforceable obligations and are not eligible for the Redevelopment Property Tax Trust Fund (RPTTF) funding on this ROPS.
- Item No. 35 – Public Works Agreement between the City of Tustin (City) and the Tustin Community Redevelopment Agency in the amount of \$26,062,505 is not an enforceable obligation at this time. HSC 34171 (d)(2) states that agreements, contracts, or arrangements between the city that created the RDA and the former RDA are not enforceable, unless issued within two years of the RDA's creation date or for issuance of indebtedness to third-party investors or bondholders. These agreements were issued after the first two years of the former RDA's creation and are not associated with the issuance of debt. Therefore, this item is not an enforceable obligation at this time and is not eligible for RPTTF funding.

Upon receiving a Finding of Completion from Finance, and after the oversight board makes a finding the loan was for legitimate redevelopment purposes, HSC section 34191.4 (b) may cause these items to be enforceable in future ROPS periods.

- Item Nos. 55, 57, 83, 84, 87, and 89 – Various contracts totaling \$455,355 are not obligations of the Agency. These contracts are between the City of Tustin and various third parties. The former RDA is neither a party to the contract nor responsible for

payment of the contract. Therefore, these line items are not enforceable obligations and not eligible for RPTTF funding on the 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. This determination applies only to items where funding was requested for the six month period. If you disagree with the determination with respect to any items on your ROPS 13-14A, you may request a Meet and Confer within five business days of the date of this letter. The Meet and Confer process and guidelines are available at Finance's website below:

http://www.dof.ca.gov/redevelopment/meet_and_confer/

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is \$5,113,001 as summarized below:

Approved RPTTF Distribution Amount	
Total RPTTF funding requested for obligations	\$ 7,285,126
Minus: Six-month total for items denied or reclassified as administrative cost	
Item 7	244,943
Item 35	1,954,712
Item 55	14,058
Item 57	55,000
Item 83	25,000
Item 84	25,000
Item 87	50,000
Item 89	21,966
Total approved RPTTF for enforceable obligations	\$ 4,894,447
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost	218,554
Minus: ROPS II prior period adjustment	-
Total RPTTF approved for distribution:	\$ 5,113,001

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/.

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.

Please direct inquiries to Nichelle Thomas, Supervisor or Alex Watt, Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Mr. Jerry Craig, Program Manager
Mr. Frank Davies, Property Tax Manager, County of Orange
California State Controller's Office