



December 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) letter dated November 10, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Mission Viejo Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14B) to Finance on September 27, 2013, for the period of January through June 2014. Finance issued a ROPS determination letter on November 10, 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 November 25, 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 items being disputed.

- Item Nos. 11 and 13 - Crown Valley Widening Project costs totaling \$14,543. Finance continues to deny these items. Finance denied these items because based on information provided on the ROPS, the contract expired. Per section 3 of the Amended and Restated Joint Funding Cooperation Agreement for the Crown Valley Parkway/I-5 Widening Project – Construction Phase (Agreement), the Agreement remains in effect until the project is complete. However, according to recital M of the Agreement, Item 11 is the responsibility of the City, not the Agency, and Item 13 is not included in the Agency's total costs for the project. Therefore, these items are denied.
- Item 14 – Crown Valley Widening Project Costs totaling \$196,427. Finance continues to deny these items. Finance denied these items because based on information provided on the ROPS, the contract expired. Per section 3 of the Agreement, the Agreement remains in effect until the project is complete. However, our review indicates that the maximum amount for this item is \$252,000. Since the Agency reported spending \$151,879 in January through June 2012 ROPS period (ROPS I), \$36,046 during July through December 2012 ROPS period (ROPS II), and \$113,886 during the January through June 2013 ROPS period (ROPS III) totaling \$301,811 (\$151,879 + \$36,046 + \$113,886). As such, we have determined that this item has been satisfied.

- Item No. 41 – City of Mission Viejo (City) Cooperation Agreement and Loan Agreement (Agreement) in the amount of \$352,622. Finance continues to deny this item. Our review indicates that the Agency submitted Oversight Board Resolution 13-09 on September 25, 2013 for the issuance of this loan. Per Finance’s letter to the Agency dated November 10, 2013, Finance returned the Oversight Board Resolution to the Oversight Board for reconsideration. Therefore, according to HSC section 34179 (h), in the event that the Finance returns the oversight board action to the oversight board for reconsideration, and shall not become effective until approved by Finance. We note that to the extent the Agency believes these items are enforceable obligations, they should be individually listed on a future ROPS for review.

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14B form the estimated obligations and actual payments (prior period adjustments) associated with the January through June 2013 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 below table includes the prior period adjustment resulting from the CAC’s audit of the Agency’s self-reported prior period adjustment.

Except for the item denied in whole or in part as an enforceable obligation, Finance is not objecting to the remaining items listed on your ROPS 13-14B. The Agency’s maximum approved RPTTF distribution for the reporting period is \$129,631 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2014	
Total RPTTF requested for non-administrative obligations	1,128,342
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations	\$ 1,253,342
Total RPTTF requested for non-administrative obligations	1,128,342
Denied Items	
Item No. 11	(9,543)
Item No. 13	(5,000)
Item No. 14	(196,427)
Item No. 41	(352,622)
	(563,592)
Total RPTTF approved for non-administrative obligations	564,750
Total RPTTF approved for administrative obligations	125,000
Total RPTTF approved for obligations	689,750
ROPS III prior period adjustment	(560,119)
Total RPTTF approved for distribution	\$ 129,631

Please refer to the ROPS 13-14B schedule that was used to calculate the approved RPTTF amount:

[http://www.dof.ca.gov/redevelopment/ROPS/ROPS 13-14B Forms by Successor Agency/.](http://www.dof.ca.gov/redevelopment/ROPS/ROPS%2013-14B%20Forms%20by%20Successor%20Agency/)

This is Finance’s final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2014. This determination applies only to items where funding was requested for the six month period. 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 section 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 HSC section 34171 (d), HSC section 34191.4 (c)(2)(B) 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 Evelyn Suess, Dispute Resolution Supervisor, or Danielle Brandon, Analyst, at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Assistant Program Budget Manager

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