DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR
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March 30, 2016

Ms. Colleen O'Donoghue, Assistant Finance Director
City of Costa Mesa
77 Fair Drive
Costa Mesa, CA 92626

Dear Ms. O'Donoghue:

Subject: 2016-17 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Costa Mesa Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule for the period July 1, 2016 through June 30, 2017 (ROPS 16-17) to the California Department of Finance (Finance) on January 22, 2016. Finance has completed its review of the ROPS 16-17.

Based on a sample of line items reviewed and application of the law, Finance made the following determination:

> Item No. 1 – 2003 Tax Allocation Refunding Bonds, debt service payment in the amount of $684,375 has been partially adjusted. The Agency requests $684,375 from Redevelopment Property Tax Trust Fund (RPTTF). Further, it is our understanding that a reserve balance greater than what is necessary for the final bond payment is available and the trustee will release those funds when the final payment is due in October 2017. The Agency has agreed to reduce the RPTTF amount requested to factor in the excess bond cash reserve that will be available later. Therefore, Finance is approving $666,790 in RPTTF and denying $17,585 ($684,375 – $666,790) for the ROPS 16-17 period.

Except for the item that has been adjusted, Finance is not objecting to the remaining items listed on your ROPS 16-17. If you disagree with Finance's determination with respect to any items on your ROPS 16-17, except for those items which are the subject of litigation disputing Finance's previous or related determinations, 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/

On the ROPS 16-17 form, the Agency reported cash balances and activity for the period of July 1, 2015 through June 30, 2016. Finance performs a review of the Agency's self-reported cash balances on an ongoing basis. Be prepared to submit financial records and bridging documents to support the cash balances reported upon request. If it is determined the Agency

The Agency's maximum approved RPTTF distribution for the reporting period is $1,733,033 as summarized in the Approved RPTTF Distribution Table on Page 3 (See Attachment).

ROPS distributions will occur twice annually, one distribution for the July 1, 2016 through December 31, 2016 (ROPS A period), and one distribution for the January 1, 2017 through June 30, 2017 (ROPS B period) based on Finance's approved amounts. Since Finance's determination is for the entire ROPS 16-17 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

On the ROPS 16-17 form, the Agency was not required to report the estimated obligations versus actual payments (prior period adjustment) associated with the July 1, 2015 through December 31, 2015 period (ROPS 15-16A). The Agency will report actual payments for ROPS 15-16A and ROPS 15-16B on the ROPS 18-19 form pursuant to HSC section 34186 (a) (1). A prior period adjustment will be applied to the Agency's future RPTTF distribution. Therefore, the Agency should retain any difference in unexpended RPTTF.

Please refer to the ROPS 16-17 schedule used to calculate the total RPTTF approved for distribution:

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

Absent a Meet and Confer, this is Finance's determination related to the enforceable obligations reported on your ROPS for the period July 1, 2016 through June 30, 2017. This determination only applies to items when funding was requested for the 12-month period. Finance's determination is effective for this time period only and should not be conclusively relied upon for future ROPS periods. All items listed on a future ROPS are subject to review and may be denied even if it was not denied on this ROPS or a preceding ROPS. The only exception is for items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). Finance's review of Final and Conclusive items 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 available prior to the enactment of the redevelopment dissolution statutes. 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 Agency in the RPTTF.

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

Sincerely,

JUSTYN HOWARD
Program Budget Manager

cc: Mr. Steve Dunivent, Finance Director, City of Costa Mesa
Mr. Frank Davies, Property Tax Manager, Orange County

Attachment

Approved RPTTF Distribution For the period of July 2016 through June 2017			
	ROPS A Period	ROPS B Period	Total
Requested RPTTF (excluding administrative obligations)	$ 1,480,868	$ 19,750	$ 1,500,618
Requested Administrative RPTTF	125,000	125,000	$ 250,000
Total Requested RPTTF on ROPS 16-17	**$ 1,605,868**	**$ 144,750**	**$ 1,750,618**
Total RPTTF Requested	**1,480,868**	**19,750**	**1,500,618**
Denied Item			
Item No. 1	(835)	(16,750)	(17,585)
Total RPTTF authorized	**1,480,033**	**3,000**	**$ 1,483,033**
Total Administrative RPTTF requested	125,000	125,000	**250,000**
Total Administrative RPTTF authorized	125,000	125,000	**$ 250,000**
Total RPTTF approved for distribution	**1,605,033**	**128,000**	**$ 1,733,033**