



May 17, 2012

Colleen O'Donoghue, Assistant Finance Director  
City of Costa Mesa  
77 Fair Drive, 1<sup>st</sup> Floor  
Costa Mesa, CA 92626

Dear Ms. O'Donoghue:

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the Costa Mesa Successor Agency submitted a Recognized Obligation Payment Schedule (ROPS) to the California Department of Finance (Finance) on May 4, 2012 for the period January through June 2012. Finance staff contacted you for clarification of items listed in the ROPS.

HSC section 34171 (d) lists enforceable obligation (EO) characteristics. Based on a sample of line items reviewed and application of the law, the following do not qualify as EOs:

- Page 1, line items 5 – Rental revenue and admin cost totaling \$90,600. HSC section 34171 (d) states EO includes bonds, loans, court judgments, settlements, contracts or agreements, and administrative costs. Rental revenue does not meet the definition of an EO. Also, the rental revenue and admin cost is an obligation of the developer and not the RDA. Therefore this is not enforceable.
- Page 1, line item 9 – Neighborhood Stabilization Program totaling \$321,316. HSC section 34163 (b) prohibits a redevelopment agency from entering into a contract after June 27, 2011. Also, the requirement to set aside 20 percent of RDA tax increment for low and moderate income housing purposes ended with the passing of the redevelopment dissolution legislation. HSC section 34177 (d) requires that all unencumbered balances in the Low and Moderate Income Housing Fund be remitted to the county auditor controller for distribution to the taxing entities. It is our understanding that loans were entered into after June 27, 2011 and were funded with 20% Low and Moderate Income Housing Fund set-aside money.
- Administrative costs of \$178,230 are not allowed. HSC section 34171 (b) limits the administrative costs to five percent of the property tax allocated to the successor agency or \$250,000, whichever is greater. Five percent of the property tax allocated is \$5,012. Since there is a \$250,000 minimum funding for administrative expenses, we are denying \$178,230 of the claimed \$428,230. The following items are administrative expenses: page 1, items 1 through 3, 5, 8 through 18, page 3, item 1 and page 2, item 2.

As authorized by HSC section 34179 (h), Finance is returning your ROPS for your reconsideration. This action will cause the specific ROPS items noted above to be ineffective until Finance approval. Furthermore, items listed on future ROPS will be subject to review and may be denied as EOs.

If you believe we have reached this conclusion in error, please provide further evidence that the items questioned above meet the definition of an EO and submit to the following email address:

[Redevelopment\\_Administration@dof.ca.gov](mailto:Redevelopment_Administration@dof.ca.gov)

Finance may continue to review items on the ROPS in addition to those mentioned above and identify additional issues. We will provide separate notice if we are requesting further modifications to the ROPS. It is our intent to provide an approval notice with regard to each ROPS prior to the June 1 property tax distribution date.

Please direct any inquiries to Robert Scott, Supervisor or Kylie Le Lead Analyst at (916) 322-2985.

Sincerely,



MARK HILL  
Program Budget Manager

cc: Mr. Bobby Young, Costa Mesa Finance Director, City of Costa Mesa  
Ms. Muriel Ullman, Neighbor Improvement Manager, City of Costa Mesa  
Mr. Frank Davies, Administrative Manager, Orange County