



April 26, 2012

Mary E. Lanier, Community Development Director
City of Murrieta
One Town Square
Murrieta, CA 92562

Dear Ms. Lanier:

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the City of Murrieta Successor Agency submitted a Recognized Obligation Payment Schedule (ROPS) to the California Department of Finance (Finance) on April 12, 2012 for the period January through January 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 2, line item 7, 10, 15, 24, 31 and Page 3, line item 39, 46, 50, 54, 55 totaling \$21.6 million. HSC section 34163(b) prohibits a redevelopment agency from entering into contracts with any entity after June 27, 2011. With no contracts there can be no EO.
- HSC section 34171(b) limits the administrative cost allowance 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 to City of Murrieta Successor Agency is \$366,904. We are denying \$480,687 of the claimed \$847,591. The following are included administrative items: page 1, items 7 through 19, and page 4, items 1 and 2.

As authorized by HSC section 34179 (h), Finance is returning your ROPS for reconsideration. This action will cause the 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.

Please direct inquiries to Robert Scott or Jenny DeAngelis at (916) 322-2985.

Sincerely,

MARK HILL
Program Budget Manager

cc: Ms. Pam Elias, Chief Accountant Property Tax Division, Riverside
Ms. Jennifer Baechel, Business Process Analyst II, Riverside
Ms. April Nash, Supervising Accountant, Riverside