



December 18, 2012

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

Dear Ms. O'Donoghue:

Subject: Recognized Obligation Payment Schedule

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated October 6, 2012. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Costa Mesa Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on August 22, 2012 for the period of January 1 through June 30, 2013. Finance issued its determination related to those enforceable obligations on October 6, 2012. Subsequently, the Agency requested a Meet and Confer session on one or more of the items presented on their ROPS III. The Meet and Confer session was held on October 22, 2012.

The Agency requested clarification on the administrative cost allowance included in Finance's letter dated October 6, 2012. Additional review of the administrative costs indicated Finance erroneously approved an excess of \$47,000 in administrative allowance. This amount has been adjusted to accurately represent the remaining administrative allowance for fiscal year 2012-13 of \$125,000.

In addition, per Finance's determination letter dated October 6, 2012, the following items not being disputed by the Agency continue to be denied:

- Item No. 2 – County Property Tax Administrative Fee in the amount of \$40,000. HSC section 34182 (e) allows the county auditor-controller to deduct their administrative costs from the Redevelopment Property Tax Trust Fund (RPTTF) prior to distributing property tax increment funds. Therefore, this item is not an enforceable obligation and not eligible for RPTTF funding.
- Item No. 4 – Various consulting services contracts totaling \$94,000 was reclassified as an administrative cost.

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is \$516,338 as summarized below:

<b>Approved RPTTF Distribution Amount For the period of January through June 2013</b>	
Total RPTTF funding requested for obligations	\$ 458,338
Less: Six-month total for items denied or reclassified as administrative cost	
Item 2	20,000
Item 4*	47,000
Total approved RPTTF for enforceable obligations	\$ 391,338
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	125,000
<b>Total RPTTF approved:</b>	<b>\$ 516,338</b>

\* Reclassified as administrative cost.

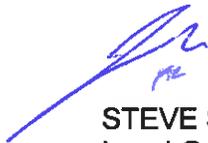
Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS III form the estimated obligations and actual payments associated with the January through June 2012 period. The amount of RPTTF approved in the above table will be adjusted by the county auditor-controller to account for differences between actual payments and past estimated obligations. Additionally, these estimates and accounts are subject to audit by the county auditor-controller and the State Controller.

The amount available from the RPTTF is the same as the 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.

Except for items disallowed as noted above, Finance is not objecting to the remaining items listed in your ROPS III. Obligations deemed not to be enforceable shall be removed from your ROPS. This is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 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 questioned on this ROPS or a preceding ROPS.

Please direct inquiries to Evelyn Suess, Dispute Resolution Supervisor, or Danielle Brandon, Analyst, at (916) 445-1546.

Sincerely,



STEVE SZALAY  
Local Government Consultant

cc: Mr. Bobby Young, Finance & IT Director, City of Costa Mesa  
Mr. Frank Davies, Property Tax Manager, Orange County  
California State Controller's Office