



December 18, 2012

Ms. Sherri Holman, Treasurer/Finance Director  
City of Fountain Valley Successor Agency  
10200 Slater Avenue  
Fountain Valley, CA 92708

Dear Ms. Holman:

Subject: Recognized Obligation Payment Schedule

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated October 12, 2012. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Fountain Valley Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on August 28, 2012 for the period of January 1 through June 30, 2013. Finance issued its determination related to those enforceable obligations on October 12, 2012. 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 7, 2012.

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 item being disputed.

Item No. 4 – Payment for a Lease Revenue Refunding Bond totaling \$186,981. Finance continues to deny the item at this time. Finance denied the item as this bond is secured solely through lease payments of the City. There is no requirement to fund this bond through tax increment. The Agency contends the item is an enforceable obligation because this is an agreement between the former redevelopment agency (RDA) and the City of Fountain Valley (City) relating to the former RDA's assumption of the City's obligation to make lease payments to the Fountain Valley Financing Authority in conjunction with the City and Financing Authority's 2003 Certificates of Participation (COP). The COP was entered into on December 1, 2009 and the Agency assumed 100 percent of the City's obligation to make timely lease payments. Tax increment is expressly cited in the Assignment Agreement as the source of funds by which the lease payments would be made. HSC section 34171 (d) (2) states that written agreements entered into at the time of issuance, but in no event later than December 31, 2010, of indebtedness obligations, and solely for the purpose of securing or repaying those indebtedness obligations may be deemed enforceable obligations. Although the Assignment Agreement is solely for the purpose of securing or repaying indebtedness obligations, it was not entered into at the time of issuance of the indebtedness obligations. Finance has not issued a Finding of Completion to the Agency; therefore, the provisions of HSC section 34171 apply. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city, county, or city and county that created the RDA and the former RDA are not enforceable obligations. Therefore, the item is currently not an enforceable obligation.

In addition, per Finance's ROPS letter dated October 12, 2012, the following item not disputed by the Agency continues to be reclassified:

Item No. 11 – Due Diligence Reviews in the amount of \$10,000 was reclassified as administrative cost. Although this reclassification increased admin to \$165,956, the admin cost allowance has not been exceeded.

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is \$1,018,464 as summarized below:

<b>Approved RPTTF Distribution Amount For the period of January through June 2013</b>	
Total RPTTF funding requested for obligations	\$ 1,049,489
Less: Six-month total for item denied or reclassified as administrative cost	
Item 4	186,981
Item 11*	10,000
Total approved RPTTF for enforceable obligations	<u>\$ 852,508</u>
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	<u>165,956</u>
<b>Total RPTTF approved:</b>	<b>\$ 1,018,464</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.

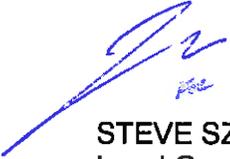
The amount available from the RPTTF is the same as the property tax increment that was available prior to enactment of ABx1 26 and AB 1484. This amount is not and never was an unlimited funding source. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax is limited 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.

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

Sincerely,



**STEVE SZALAY**  
Local Government Consultant

cc: Mr. Jim Simon, Consultant, RSG  
Mr. Frank Davies, Property Tax Manager, Orange County  
California State Controller's Office