DEPARTMENT OF FINANCE

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October 26, 2012

Mr. David Belmer, Assistant City Manager
City of Lake Forest
25550 Commercentre Drive
Lake Forest, CA 92630

Dear Mr. Belmer:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Lake Forest Successor Agency (Agency) submitted a Revised Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on September 12, 2012 for the period of January through June 2013. Finance has completed its review of your ROPS III, which may have included obtaining clarification for various items.

HSC section 34171 (d) defines enforceable obligations. Based on a sample of line items reviewed and application of the law, the following do not qualify as enforceable obligations:

- Item Nos. 20 and 21 – Successor housing manager salaries and benefits totaling $1.4 million. HSC section 34176 (a) (2) states if a city, county, or city and county elects to elects to retain the housing assets and functions, all rights, powers, duties, obligations shall be transferred to the city, county, or city and county. The administrative costs associated with these functions are now the responsibility of the housing successor, the Lake Forest Housing Authority. Therefore, these items are not enforceable obligations and are not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.

- Administrative costs claimed exceeds the allowance by $43,523. HSC section 34171 (b) limits fiscal year 2012-13 administrative expenses to three percent of property tax allocated to the successor agency, or $250,000, whichever is greater. As a result, Lake Forest is eligible for $250,000 in administrative expenses. The Orange County Redevelopment Agency distributed $245,496 in administrative costs for the July through December 2012 period, thus leaving a balance of $4,504 available for the January through June 2013 period. Therefore, $43,523 of the claimed $48,027 administrative cost is not allowed.

Except for items denied in whole or in part as enforceable obligations as noted above, Finance is approving the remaining items listed in your ROPS III. If you disagree with the determination with respect to any items on your ROPS III, 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/

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is $209,283 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2013		
Total RPTTF funding requested for obligations	$	240,643
Less: Six-month total for items denied		
Item 20		28,294
Item 21		7,570
Total approved RPTTF for enforceable obligations	$	204,779
Plus: Allowable RPTTF distribution for administrative cost for ROPS III		4,504
Total RPTTF approved:	**$**	**209,283**

Administrative Cost Calculation		
Total RPTTF for the period July through December 2012	$	455,738
Total RPTTF for the period January through June 2013		204,779
Total RPTTF for fiscal year 2012-13:	**$**	**660,517**
Allowable administrative cost for fiscal year 2012-13 (Greater of 3% or $250,000)		250,000
Administrative allowance for the period of July through December 2012		245,496
Allowable RPTTF distribution for administrative cost for ROPS III:	**$**	**4,504**

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.

Please refer to the ROPS III schedule that was used to calculate the approved RPTTF amount:

http://www.dof.ca.gov/redevelopment/ROPS/ROPS III Forms by Successor Agency/.

All items listed on a future ROPS are subject to a subsequent review. An item included on a future ROPS may be denied even if it was not questioned from the preceding ROPS.

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.

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

Sincerely,

STEVE SZALAY
Local Government Consultant

cc: Mr. Keith Neves, Director of Finance, City of Lake Forest
Mr. Frank Davies, Property Tax Manager, Orange County