



December 18, 2012

Ms. Cheryl Dyas, Director of Administrative Services  
City of Mission Viejo  
200 Civic Center  
Mission Viejo, CA 92691

Dear Ms. Dyas:

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 Mission Viejo Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on August 23, 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 denied by Finance. The Meet and Confer session was held on November 19, 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 Nos. 15 through 17 – The Ridge affordable housing agreement in the amount of \$1.6 million. Finance continues to deny the items on the ROPS. Finance denied the items as HSC section 34176 (a) (2) states if a city, county, or city and county elects to retain the authority to perform housing functions previously performed by a RDA, all rights, powers, duties, obligations and housing assets shall be transferred to the city, county, or city and county. Since the Mission Viejo Housing Authority assumed the housing functions, this item is not an enforceable obligation and not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding. The Agency requests that Finance either needs to approve all aspects of the Lennar Affordable Housing Agreement (AHA) and implementing Homebuyer Loan Agreements in the ROPS; or approve all aspects of the Lennar AHA as housing assets and allow retention of adequate funds to make payments due on that master agreement that continues to be implemented and performed by the parties to that contract. Finance notes that the encumbrances from the Low and Moderate Income Housing Fund associated with these items have been effectively transferred to the housing successor, which was approved by Finance. As such, funds are available with the housing successor agency. Therefore, these items should not be listed on the ROPS and are not eligible for RPTTF.

In addition, per Finance's ROPS letter dated October 6, 2012, the following item not disputed by the Agency continues to be denied:

Item No. 25 – Independent Auditor Services in the amount of \$5,000 was reclassified as an administrative cost. Although this reclassification increased administrative costs to \$135,000, the administrative cost allowance has not been exceeded.

The Agency's maximum approved RPTTF distribution for the reporting period is \$1,640,133 as summarized below.

<b>Approved RPTTF Distribution Amount</b>	
<b>For the period of January through June 2013</b>	
Total RPTTF funding requested for obligations	\$ 1,848,085
Less: Six-month total for item(s) denied or reclassified as administrative cost	
Item 15	282,952
Item 16	35,000
Item 17	20,000
Item 25*	5,000
Total approved RPTTF for enforceable obligations	<u>\$ 1,505,133</u>
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	<u>135,000</u>
<b>Total RPTTF approved:</b>	<b>\$ 1,640,133</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.

Ms. Cheryl Dyas  
December 18, 2012  
Page 3

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

Sincerely,



STEVE SZALAY  
Local Government Consultant

cc: Ms. Josephine Julian, Treasury Manager, City of Mission Viejo  
Mr. Frank Davies, Property Tax Manager, Orange County  
California State Controller's Office