DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR
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October 15, 2010

Ms. Cindy Russell, Chief Financial Officer/City Treasurer
City of San Juan Capistrano
32400 Paseo Adelanto
San Juan Capistrano, CA 92675

Dear Ms. Russell:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of San Juan Capistrano Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on August 31, 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:

- Items No. 17 and 18 – Loan agreements with the City totaling $2,029,879. HSC Section 34171 (d) (2) (B) states that loans between the entity that created redevelopment agency (RDA) and the former RDA are only enforceable if made within the first two years of the RDA's existence. The loan under item 17 was executed in October 1998, and the loan under item 18 was executed in June 2004; however the RDA was created in 1983. Therefore, these line items are not enforceable obligations and not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding. Upon receiving a Finding of Completion from Finance, HSC section 34191.4 (b) may cause these items to be enforceable in future ROPS periods.

- Item No. 28 – Administrative Cost Allowance in the amount of $250,000. HSC section 34171 (b) limits administrative expenses to three percent of property tax allocated to the successor agency or $250,000 whichever is greater. Of the $250,000 available for administrative expenses $250,000 was distributed during the July through December 2012 period leaving no available administrative cost for the January through June 2013 period. Therefore, this line item is not an enforceable obligation and not eligible for RPTTF funding.

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 RPTTF distribution for the reporting period is $2,476,994 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2013		
Total RPTTF funding requested for obligations	$	2,476,994
Less: Six-month total for items denied		
Item No. 17*		0
Item No. 18*		0
Total approved RPTTF for enforceable obligations	$	2,476,994
Plus: Allowable RPTTF distribution for administrative cost for ROPS III		0
Total RPTTF approved:	$	2,476,994

*No RPTTF requested for the reporting period

Administrative Cost Calculation		
Total RPTTF for the period July through December 2012	$	2,827,159
Total RPTTF for the period January through June 2013		2,476,994
Total RPTTF for fiscal year 2012-13:	**$**	**5,304,153**
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		250,000
Allowable RPTTF distribution for administrative cost for ROPS III:		**$0**

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: Ms. Christy Jakl, Deputy City Clerk, City of San Juan Capistrano
Mr. Frank Davies, Administrative Manager, Orange County Auditor-Controller