DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

December 18, 2012

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

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated October 15, 2012. 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 September 5, 2012 for the period of January 1 through June 30, 2013. Finance issued its determination related to those enforceable obligations on October 15, 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 27, 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. 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. Finance previously determined the Agency received all of the $250,000 available for administrative expenses during the ROPS II period and the amount claimed on the ROPS III was denied. During the meet and confer process, the Agency demonstrated the amount, although approved by Finance, was not available for distribution from the Auditor Controller. Therefore, the full amount, $250,000, is available for RPTTF funding during the ROPS III period.

In addition, per Finance's Recognized Obligation Payment Schedule letter dated October 15, 2012, the following items were denied and not contested by the Agency:

- 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.

The Agency's maximum approved RPTTF distribution for the reporting period is $2,726,994 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		250,000
Total RPTTF approved:	$	2,726,994

*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		-
Allowable RPTTF distribution for administrative cost for ROPS III:		**$250,000**

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