



October 14, 2012

Mr. Luke Watson, Senior Planner
City of Temecula
41000 Main Street
Temecula, CA 92589

Dear Mr. Watson:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Temecula successor agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on August 30, 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 No. 19 – 3rd and Front Street Owner Participation Agreement (OPA) in the amount of \$4 million bond proceeds. HSC 34177.3 (a) prohibits a successor agency to create new enforceable obligations after June 27, 2011. The former redevelopment agency's (RDA) obligation to pay Front Street was conditioned upon Front Street closing a construction loan by August 22, 2011. Since the conditions were not met before the deadline, the OPA is no longer enforceable. This item was appealed on May 24, 2012 and oversight board approved an extension to the deadline. However, this item is still denied because the Agency should expeditiously wind down the affairs of the RDA pursuant to HSC section 34177 (h). Furthermore, pursuant to HSC 34181 (b) the oversight board shall direct the Agency to cease performance in connection with and terminate all existing agreements that do not qualify as enforceable obligations.

Except for item 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: \$3,869,384 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2013	
Total RPTTF funding requested for obligations	\$ 3,744,384
Less: Six-month total for item(s) denied or reclassified as administrative cost	0
Total approved RPTTF for enforceable obligations	\$ 3,744,384
Plus: Requested RPTTF distribution for administrative cost for ROPS III	125,000
Total RPTTF approved:	\$ 3,869,384

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:

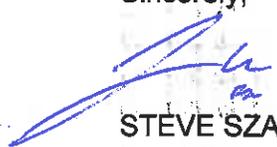
[http://www.dof.ca.gov/redevelopment/ROPS/ROPS III Forms by Successor Agency/](http://www.dof.ca.gov/redevelopment/ROPS/ROPS%20III%20Forms%20by%20Successor%20Agency/).

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 Beliz Chappuie, Supervisor or Mindy Patterson, Lead Analyst at (916) 445-1546.

Sincerely,


STEVE SZALAY
Local Government Consultant

cc: Mr. Rudy Graciano, Revenue Manager, City of Temecula
Ms. Pam Elias, Chief Accountant Property Tax Division, Riverside County
Auditor Controller