



December 18, 2012

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

Dear Mr. Watson:

Subject: Recognized Obligation Payment Schedule

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated October 14, 2012. 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 1 through June 30, 2013. Finance issued its determination related to those enforceable obligations on October 14, 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. 19 – 3<sup>rd</sup> and Front Street Owner Participation Agreement (OPA) in the amount of \$4 million bond proceeds. Finance continues to deny the item. Finance denied the item as 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. The Agency contends the item is an enforceable obligation because the OPA was entered into on February 22, 2011. However, the agreement ended by its own terms and the Agency did not have the authority to extend the agreement. Therefore, the item is not an enforceable obligation.

In regards to the 2011 bonds that were issued for the project, we note that pursuant to HSC section 34191.4 (c), successor agencies that have been issued a Finding of Completion by Finance will be allowed to use excess proceeds from bonds issued prior to December 31, 2010 for the purposes for which the bonds were issued. Successor Agencies are required to defease or repurchase on the open market for cancellation any bonds that cannot be used for the purpose they were issued or if they were issued after December 31, 2010. The bond proceeds requested for use were issued in February 2011. Therefore, this item is not an enforceable obligation.

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is: \$3,869,384 as summarized below:

<b>Approved RPTTF Distribution Amount For the period of January through June 2013</b>	
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
<b>Total RPTTF approved:</b>	<b>\$ 3,869,384</b>

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.

Mr. Luke Watson  
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: Mr. Rudy Graciano, Revenue Manager, City of Temecula  
Ms. Pam Elias, Chief Accountant Property Tax Division, Riverside County  
Auditor Controller  
California State Controller's Office