



May 17, 2013

Ms. Donna Mullally, Manager of Fiscal Services
City of Irvine Successor Agency
1 Civic Center Place
Irvine, CA 92623

Dear Ms. Mullally:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS 13-14A) letter dated April 8, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Irvine Successor Agency (Agency) submitted a ROPS 13-14A to Finance for the period of July through December 2013. 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 April 22, 2013.

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 items being disputed.

- Item No. 8 – City of Irvine (City) Loan totaling \$812,976,300. Finance continues to deny this item at this time. Pursuant to HSC section 34171 (d) (2), this item was originally denied stating that the interagency loans or agreements between the City and the Agency are not enforceable obligations.

The Agency received a Finding of Completion on April 24, 2013. As such, after the oversight board makes a finding the loan was for legitimate redevelopment purposes, HSC section 34191.4 (b) may cause these items to be enforceable obligations in the future ROPS 14-15 periods and eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.

- Item Nos. 10 and 11 were reclassified as administrative costs. Finance no longer reclassifies Item No. 10 as an administrative cost; however, Finance continues to reclassify Item No. 11 as administrative costs. The Agency contends that Item No. 11 is an enforceable obligation because it is related to wind down activities. However, the item does not fall into any of the following categories that are specifically excluded from the administrative cap as defined by HSC section 34171(b):
 - Any litigation expenses related to assets or obligations.
 - Settlements and judgments.
 - The costs of maintaining assets prior to disposition.

- Employee costs associated with work on specific project implementation activities, including, but not limited to, construction inspection, project management, or actual construction, shall be considered project-specific costs.

Item No. 10 pertains to litigation expenses related to assets or obligations. Therefore, it is considered an enforceable obligation outside of the administrative cap.

Item No. 11 pertains to general legal representation and not specifically to bringing or contesting legal actions in court. Therefore, it is considered an administrative cost.

Although Item No. 11 reclassification increased administrative costs to \$220,000, the administrative cost allowance has not been exceeded.

- Item No. 13 – Amended Development Agreement in the amount of \$500,000. Finance continues to deny this item. This item was previously denied following a Meet and Confer session held on November 27, 2012. HSC section 34177.3 (a) states that successor agencies shall lack the authority to, and shall not, create new enforceable obligations or begin new redevelopment work, except in compliance with an enforceable obligation that existed prior to June 28, 2011. Currently, there are no contracts in place and therefore, no enforceable obligations exist prior to June 28, 2011. While the Development Agreement was entered into prior to June 28, 2011 by the former RDA, it is not specific as to the total amount to be committed to the project. Therefore, this item is not an enforceable obligation and is not eligible for RPTTF funding.
- Item No. 14 – Affordable Housing Grant Agreement in the amount of \$610,562. Finance continues to deny this item. This item was previously denied following a Meet and Confer session held on November 27, 2012. HSC section 34177 (d) requires that all unencumbered balances in the Low and Moderate Income Housing Fund be remitted to the county auditor controller for distribution to the taxing entities. The agreement was to use Housing Set Aside Funds, which no longer exist. Under current law, the funding obligation for this item is zero.

Furthermore, the grant agreement is between the former redevelopment agency (RDA) and the City as defined by HSC section 34167.10. Specifically, the Irvine Community Land Trust (ICLT) was created by the City, there are overlapping governing boards in that the President of the ICLT is a member of the City Council, and the ICLT performs functions customarily or historically performed by municipalities. Therefore, this item is not an enforceable obligation and is not eligible for RPTTF funding.

Except for items denied in whole or in part as enforceable obligations, Finance is not objecting to the remaining items listed on your ROPS 13-14A. 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 July through December 2013. Finance's determination is effective for this time period only and should not be conclusively relied on 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 denied on this ROPS or a preceding ROPS.

The Agency's maximum approved RPTTF distribution for the reporting period is \$98,180 as summarized below:

Approved RPTTF Distribution Amount For the period of July through December 2013	
Total RPTTF funding requested for obligations	\$ 5,590,641
Minus: Six-month total for items denied or reclassified as administrative cost	
Item 8	\$ 4,145,079
Item 11*	\$ 100,000
Item 13	\$ 500,000
Item 14	\$ 610,562
Total approved RPTTF for enforceable obligations	\$ 235,000
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost	\$ 220,000
Minus: ROPS II prior period adjustment	\$ (356,820)
Total RPTTF approved for distribution:	\$ 98,180

*Reclassified as administrative cost

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2012 period. The amount of RPTTF approved in the above table includes the prior period adjustment that was self-reported by the Agency. HSC Section 34186 (a) also specifies that the prior period adjustments self-reported by successor agencies are subject to audit by the county auditor-controller (CAC) and the State Controller. Any proposed CAC adjustments were not received in time for inclusion in this letter. Therefore, the amount of RPTTF approved in the above table includes only the prior period adjustment that was self-reported by the Agency.

Please refer to the ROPS 13-14A schedule that was used to calculate the approved RPTTF amount:

[http://www.dof.ca.gov/redevelopment/ROPS/ROPS 13-14A Forms by Successor Agency/](http://www.dof.ca.gov/redevelopment/ROPS/ROPS%2013-14A%20Forms%20by%20Successor%20Agency/).

This is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 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 denied on this ROPS or a preceding ROPS. The only exception is for those items that have received a Final and Conclusive determination from Finance pursuant to HSC 34177.5 (i). Finance's review of items that have received a Final and Conclusive determination is limited to confirming the scheduled payments as required by the obligation.

The amount available from the RPTTF is the same as the amount of 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.

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To the extent proceeds from bonds issued after December 31, 2010 exist and are not encumbered by an enforceable obligation pursuant to 34171 (d), HSC section 34191.4 (c)(2)(B) requires these proceeds be used to defease the bonds or to purchase those same outstanding bonds on the open market for cancellation.

Please direct inquiries to Wendy Griffe, Supervisor or Medy Lamorena, Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY

Local Government Consultant

cc: Ms. Teri Washle, Finance Administrator, City of Irvine
Mr. Frank Davies, Property Tax Manager, County of Orange
California State Controller's Office