DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR
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May 16, 2014

Ms. Colleen O'Donoghue, Assistant Finance Director
City of Costa Mesa
77 Fair Drive
Costa Mesa, CA 92626

Dear Ms. O'Donoghue:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 8, 2014. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Costa Mesa Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15A) to Finance on February 27, 2014, for the period of July through December 2014. Finance issued a ROPS determination letter on April 8, 2014. 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 21, 2014.

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. 6 – City of Costa Mesa (City) Promissory Note in the amount of $12,596,074. Pursuant to HSC section 34191.4 (b), loan agreements between the former redevelopment agency (RDA) and sponsoring entity may be placed on the ROPS if the Agency has received a Finding of Completion and the Agency's oversight board approves the loan as an enforceable obligation by finding the loan was for legitimate redevelopment purposes.

  The Agency received a Finding of Completion on May 24, 2013. Additionally, the Agency submitted OB Resolution 2014-04, finding that the loan between the City of Costa Mesa (City) and the former RDA was entered into for legitimate redevelopment purposes, reinstated the loan as an enforceable obligation, and approved an agreement to re-establish the loan pursuant to HSC section 34191.4 between the City and Agency, was approved in our letter dated May 16, 2014.

  According to the County Auditor-Controller's (CAC) report, the ROPS residual pass-through amount distributed to the taxing entities for fiscal years 2012-13 and 2013-14 are $1,939,405 and $3,505,370, respectively. Pursuant to the repayment formula outlined in HSC section 34191.4 (b) (2) (A), the maximum repayment amount authorized for fiscal year 2014-15 is $782,983. As such, this item is eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 14-15A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2013 period. HSC section 34186 (a) also specifies prior period adjustments self-reported by successor agencies are subject to audit by the CAC and the State Controller. The amount of RPTTF approved in the table below includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

Finance is not objecting to the remaining items listed on your ROPS 14-15A. The Agency's maximum approved RPTTF distribution for the reporting period is $1,649,822 as summarized below:

| **Approved RPTTF Distribution For the period of July through December 2014** | | |
|---|---|---|
| Total RPTTF requested for non-administrative obligations | | 1,531,371 |
| Total RPTTF requested for administrative obligations | | 125,000 |
| **Total RPTTF requested for obligations** | **$** | **1,656,371** |
| | | |
| **Total RPTTF authorized for non-administrative obligations** | | **1,531,371** |
| **Total RPTTF authorized for administrative obligations** | | **125,000** |
| **Total RPTTF authorized for obligations** | **$** | **1,656,371** |
| ROPS 13-14A prior period adjustment | | (6,549) |
| **Total RPTTF approved for distribution** | **$** | **1,649,822** |

Please refer to the ROPS 14-15A schedule that was used to calculate the approved RPTTF amount:

http://www.dof.ca.gov/redevelopment/ROPS

This is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2014. This determination only applies to items where funding was requested for the six-month period. 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 section 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.

To the extent proceeds from bonds issued after December 31, 2010 exist and are not encumbered by an enforceable obligation pursuant to HSC section 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 Evelyn Suess, Dispute Resolution Supervisor, or Danielle Brandon, Analyst, at (916) 445-1546.

Sincerely,

JUSTYN HOWARD
Assistant Program Budget Manager

cc: Mr. Steve Dunivent, Finance Director, City of Costa Mesa
Mr. Frank Davies, Property Tax Manager, Orange County
California State Controller's Office