



April 17, 2014

Ms. Cindy Russell, Chief Finance Officer  
City of San Juan Capistrano  
32400 Paseo Adelanto  
San Juan Capistrano, CA 92675

Dear Ms. Russell:

Subject: Recognized Obligation Payment Schedule

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 14-15A) to the California Department of Finance (Finance) on March 3, 2014 for the period of July through December 2014. Finance has completed its review of your ROPS 14-15A, 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 does not qualify as an enforceable obligation for the reasons specified:

- Item No. 15 – City of San Juan Capistrano (City)/Capistrano Pointe Cooperation Agreement (Agreement) in the amount of \$1,444,783. It is our understanding the Agreement entered into on March 5, 1985 between the Agency and the City is for general administrative services to assist the Agency in the preparation and implementation of a redevelopment plan. While the loan was entered into in 1985, within the first two years of the date of creation; the Agency has not been able to provide supporting documentation to support the dates and/or amounts loaned and advanced to the Agency. Furthermore, the Agreement itself does not specify dollar amounts to be loaned or advanced or specific repayment terms. Therefore, this line item is not an enforceable obligation and is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.

Furthermore, the Agency reported the following items:

- Item Nos. 30 and 50 – Affordable Housing Projects and related costs totaling \$4,050,000. The Agency intends to transfer pre-2011 bond proceeds to the San Juan Capistrano Housing Authority.
- Item No. 48 – Verdugo Street and Arguello Way Improvement in the amount of \$1,870,000. The Agency intends to transfer pre-2011 bond proceeds to the City of San Juan Capistrano.
- Item No 49 – Foster Street/Camino Capistrano Sidewalk Improvement Project in the amount of \$100,000. The Agency intends to transfer pre-2011 bond proceeds to the City of San Juan Capistrano.

The Agency received a Finding of Completion on November 8, 2013 and is allowed to expend pre-2011 bond proceeds in a manner consistent with the bond covenant. Before the transfer can take place, a bond expenditure agreements with respective entity outlining the transfer of pre-2011 bond proceeds should be approved by the oversight board and Finance.

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 county auditor-controller (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.

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is \$1,646,644 as summarized below:

<b>Approved RPTTF Distribution</b>	
<b>For the period of July through December 2014</b>	
Total RPTTF requested for non-administrative obligations	2,271,712
Total RPTTF requested for administrative obligations	125,000
<b>Total Requested RPTTF</b>	<b>\$ 2,396,712</b>
<b>Total RPTTF requested for non-administrative obligations</b>	<b>2,271,712</b>
<u>Denied Item</u>	
Item No. 15	(500,000)
<b>Total RPTTF authorized for non-administrative obligations</b>	<b>\$ 1,771,712</b>
<b>Total RPTTF authorized for administrative obligations</b>	<b>\$ 125,000</b>
<b>Total RPTTF funding for obligations</b>	<b>\$ 1,896,712</b>
ROPS 13-14A prior period adjustment	(250,068)
<b>Total RPTTF approved for distribution</b>	<b>\$ 1,646,644</b>

Pursuant to HSC section 34177 (l) (1) (E), agencies are required to use all available funding sources prior to RPTTF for payment of enforceable obligations. During the ROPS 14-15A review, Finance requested financial records to support the cash balances reported by the Agency; however, Finance was unable to reconcile the financial records to the amounts reported. As a result, Finance will continue to work with the Agency after the ROPS 14-15A review period to properly identify the Agency's cash balances. If it is determined the Agency possesses cash balances that are available to pay approved obligations, the Agency should request the use of these cash balances prior to requesting RPTTF in ROPS 14-15B.

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

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

Absent a Meet and Confer 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

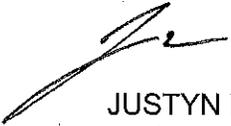
be denied even if it was or was not denied on this ROPS or a preceding ROPS. The only exception is for those items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). Finance's review of items that have received a Final and Conclusive determination 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 Nichelle Thomas, Supervisor or Alexander Watt, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD  
Assistant Program Budget Manager

cc: Ms. Michelle Bannigan, Assistant Finance Director, City of San Juan Capistrano  
Mr. Frank Davies, Property Tax Manager, Orange County  
California State Controller's Office