



May 16, 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

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 17, 2014. 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 Finance on March 3, 2014, for the period of July through December 2014. Finance issued a ROPS determination letter on April 17, 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 May 12, 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 items being disputed.

- Item No. 15 – City of San Juan Capistrano (City)/Capistrano Pointe Cooperation Agreement (Agreement) in the amount of \$1,444,783. Finance no longer denies this item. The Agreement entered into on March 5, 1985, within two years of creation of the former redevelopment agency, between the Agency and the City is for general administrative services and to defer development fees. More specifically, the Agency and a third party (Participant) entered into a participation agreement. Pursuant to that agreement the Participant is required to pay development fees to the City; however, the Participant agreed to pay those fees to the Agency and the Agency assumed all obligations to forward the fees paid by the Participant to the City. Pursuant to the Agreement, the City agreed to defer the Agency's remittance of the Participant's fees until such a time as the Agency determines it has sufficient funds to repay the loan. We note that the Agency also provided documentation supporting the original amount loaned. The Agency is requesting \$500,000 in ROPS 14-15A to repay the loan/deferred fees. This amount is approved and Finance will work with the Agency to determine the remaining outstanding balance of the loan/deferred fees.

In addition, per Finance's letter dated April 17, 2014, we continue to note the following items not contested by the Agency during the Meet and Confer:

- 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 \$2,146,644 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>
<b>Total RPTTF authorized for non-administrative obligations</b>	<b>\$ 2,271,712</b>
<b>Total RPTTF authorized for administrative obligations</b>	<b>\$ 125,000</b>
<b>Total RPTTF funding for obligations</b>	<b>\$ 2,396,712</b>
ROPS 13-14A prior period adjustment	(250,068)
<b>Total RPTTF approved for distribution</b>	<b>\$ 2,146,644</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>

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