



May 10, 2012

Carlo Tomaino, Management Analyst
Redevelopment/Economic Development
City of Lake Forest
25550 Commercentre Drive, Suite 100
Lake Forest, CA 92630

Dear Mr. Tomaino:

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the City of Lake Forest (City) Successor Agency submitted a Recognized Obligation Payment Schedule (ROPS) to the California Department of Finance (Finance) on April 25, 2012 for the period January through June 2012 and July through December 2012. Finance staff contacted you for clarification of items listed in the ROPS.

HSC section 34171 (d) lists enforceable obligation (EO) characteristics. Based on a sample of line items reviewed and application of the law, the following do not qualify as EOs:

January through June 2012 ROPS

- Item No. 1 – Reimbursement Agreement in the amount of \$12.5 million. The Reimbursement Agreement is dated March 1, 2004. HSC section 34171(d)(2) states that agreements, contracts or arrangements between the entity that created the redevelopment agency (RDA) and the former RDA are only enforceable if made within the first two years of the RDA's existence. The City RDA was established in 1995. The agreement between the City and the RDA was made subsequent to the first two-year period. Therefore, the loan is not an EO.
- Administrative expenses of \$1,715. The HSC section 34171 (b) limits the 2011-12 administrative cost allowance to five percent of the property tax allocated to the successor agency or \$250,000, whichever is greater. Therefore, \$1,715 of the claimed \$251,715 is not allowed. The following items are administrative expenses: Item Nos. 3, 4, 5, 12, and 14.

July through December 2012 ROPS

- Item No. 1 – Reimbursement Agreement in the amount of \$12.5 million. The Reimbursement Agreement is dated March 1, 2004. HSC section 34171(d)(2) states that agreements, contracts or arrangements between the entity that created the redevelopment agency (RDA) and the former RDA are only enforceable if made within the first two years of the RDA's existence. The City RDA was established in 1995. The agreement between the City and the RDA was made subsequent to the first two-year period. Therefore, the loan is not an EO.

As authorized by HSC section 34179 (h), Finance is returning your ROPS for your reconsideration. This action will cause the specific ROPS items noted above to be ineffective until Finance approval. Furthermore, items listed on future ROPS will be subject to review and may be denied as EOs.

Department of Finance may continue to review items on the ROPS in addition to those mentioned above and identify additional issues. We will provide separate notice if we are requesting further modifications to the ROPS. It is our intent to provide an approval notice with regard to each ROPS prior to the June 1 property tax distribution date.

If you believe we have reached this conclusion in error, please provide further evidence that the items questioned above meet the definition of an EO to the following email address:

Redevelopment_Administration@dof.ca.gov

Please direct inquiries to Chikako Takagi-Galamba, Supervisor or Wendy Griffe, Lead Analyst at (916) 322-2985.

Sincerely,



MARK HILL
Program Budget Manager

cc: Frank Davies, Administrative Manager, Orange County