DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR
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May 11, 2012

Cindy Russell, Chief Financial Officer/City Treasurer
City of San Juan Capistrano
32400 Paseo Adelanto
San Juan Capistrano, CA 92675

Dear Ms. Russell:

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the City of San Juan Capistrano Successor Agency submitted a Recognized Obligation Payment Schedule (ROPS) to the California Department of Finance (Finance) on May 2, 2012 for the periods 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:

- Page 1, item 10 – Loan in the amount of $4.1 million. The loan was dated July 6, 2011. HSC Section 34163 (a) states that an agency shall not have the authority to make loans or provide financial assistance of any sort to any entity or person for any purpose after June 27, 2011. HSC Section 34163 (b) prohibits commitments to commence if valid loan agreements were not entered into prior to June 28, 2011.

- Page 2, items 3 and 4 – Loans with the city totaling $2 million. HSC Section 34171 (d) (2) (B) states that loans between the entity that created redevelopment agency (RDA) and the former RDA are only enforceable if made within the first two years of the RDA's existence. The loan under item 3 was executed on October 6, 1998, and the loan under item 4 was executed on June 15, 2004; however the RDA was created in 1983.

- Administrative cost claimed exceeds allowance by $558,424. HSC section 34171 (b) limits fiscal year 2011-12 administrative expenses to five percent of property tax allocated to the successor agency or $250,000, whichever is greater. The administrative expenses calculation is shown in Attachment A.

July through December 2012 ROPS:

- Page 6, item 10 – Loan in the amount of $3.9 million. The loan was dated July 6, 2011. HSC Section 34163 (a) states that an agency shall not have the authority to make loans or provide financial assistance of any sort to any entity or person for any purpose after June 27, 2011. HSC Section 34163 (b) prohibits commitments to commence if valid loan agreements were not entered into prior to June 28, 2011.

- Administrative cost claimed exceeds allowance by $33,714. HSC section 34171 (b) limits fiscal year 2012-13 administrative expenses to three percent of property tax allocated to the successor agency or $250,000, whichever is greater. The administrative cost calculation is shown in Attachment B.

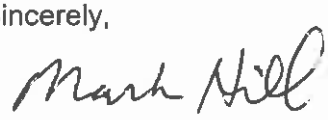
As authorized by HSC Section 34179 (h), Finance is returning your ROPS for reconsideration. This action will cause the ROPS to be ineffective until Finance approval and may cause payment delays for valid obligations.

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.

Please direct any inquiries to Evelyn Suess, Supervisor or Mindy Patterson, Lead Analyst at (916) 322-2985.

Sincerely,



MARK HILL
Program Budget Manager

Attachments

cc: Ms. Christy Jakl, Deputy City Clerk, City of San Juan Capistrano
Mr. Frank Davies, Administrative Manager, Orange County Auditor-Controller

Administrative Cost Calculation
For the Period January – June 2012

Line item	Page	Project Name/Debt Obligation	Payment Source	Amount
1	1	1997 Subordinated Taxable Tax Allocation Bonds	RPTTF	$ 32,163
2	1	1998 Tax Allocation Refunding Bonds	RPTTF	54,555
3	1	2008 Tax Allocation Bonds, Series A	RPTTF	188,110
4	1	2008 Tax Allocation Bonds, Series B	RPTTF	303,647
5	1	OPA - Fluidmaster	RPTTF	40,000
6	1	OPA - Capistrano Volkswagen	RPTTF	35,000
7	1	OPA-Sierra Vista	RPTTF	6,800
8	1	Agreement - TCAG Ford	RPTTF	75,000
9	1	Agreement - OC Chrysler	RPTTF	37,500
10	1	Lower Rosan Ranch - Loan Payable*	RPTTF	198,776
11	1	Kinoshita Acquisition - Note Extension*	RPTTF	107,702
12	1	Kinoshita Acquisition - Note Extension*	RPTTF	112,207
1	2	Cooperation Agreement - Capistrano Pointe	RPTTF	2,000,000
2	2	Tax Anticipation Agreement	RPTTF	250,000
3	2	Truillis Acquisition - Loan Agreement*	RPTTF	50,000
4	2	Administration Loan Agreement*	RPTTF	150,000
1	3	OPA - Paseo De Verdugo	RPTTF	1,248,000
3	3	The Groves Affordable Housing	RPTTF	158,181
4	3	Downtown Master Plan	RPTTF	13,144
5	3	Del Obispo/Camino Capistrano Imp.	RPTTF	2,258
6	3	Del Obispo/Camino Capistrano Imp.	RPTTF	6,580
7	3	J. Sierra/Rancho Viejo Road (CRA Share)	RPTTF	102,533
8	3	Ortega Highway Sidewalk Expansion	RPTTF	10,950
9	3	The Groves Affordable Housing	RPTTF	4,825
10	3	The Groves Affordable Housing	RPTTF	12,952
			Subtotal:	$5,200,883
			Less Disallowed RPTTF Amounts (see line items with asterisk above):	618,685
			Total RPTTF Claimed:	4,582,198
			Admin Allowance (Greater of 5% or $250,000) :	$ 250,000

Line Items Considered Administrative Costs				
Line item	**Page**	**Project Name/Debt Obligation**	**Payment Source**	**Amount**
6-16	4	Admin Costs Funded by RPTTF	RPTTF	$ 789,879
30	4	Misc. Administrative Costs	RPTTF	18,545
			Total:	808,424
			Admin Cap:	250,000
			Unallowable Admin Amount (Total - Admin Cap):	$ 558,424

Administrative Cost Calculation
For the Period July – December 2012

Line item	Page	Project Name/Debt Obligation	Payment Source	Amount
1	6	1997 Subordinated Taxable Tax Allocation Bonds	RPTTF	$ 147,163
2	1	1198 Tax Allocation Refunding Bonds	RPTTF	469,554
3	6	2008 Tax Allocation Bonds, Series A	RPTTF	458,109
4	6	2008 Tax Allocation Bonds, Series B	RPTTF	358,648
8	6	Agreement - TCAG Ford	RPTTF	150,000
9	6	Agreement - OC Chrysler	RPTTF	75,000
10	6	Lower Rosan Ranch - Loan Payable	RPTTF	198,776
11	6	Kinoshita Acquisition - Note Extension	RPTTF	107,702
12	6	Kinoshita Acquisition - Note Extension	RPTTF	112,207
1	7	Cooperation Agreement - Capistrano Pointe	RPTTF	500,000
			Subtotal:	$2,577,159
			Less Disallowed RPTTF Amounts (see line items with asterisk above):	418,685
			Total RPTTF Claimed:	2,158,474
			Admin Allowance (Greater of 3% or $250,000) :	$ 250,000

Line items qualifying as administrative costs				
Line item	Page	Project Name/Debt Obligation	Payment Source	Amount
1-6	9	Admin Costs Funded by RPTTF	RPTTF	$ 283,714
			Total:	283,714
			Admin Cap:	250,000
			Unallowable Admin Amount (Total - Admin Cap):	$ 33,714