



May 10, 2012

Luke Watson, Management Analyst
City of Temecula
41000 Main Street
Temecula, CA 92589-9033

Dear Mr. Watson:

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the City of Temecula Successor Agency submitted a Recognized Obligation Payment Schedule (ROPS) to the California Department of Finance (Finance) on April 26, 2012 for the period 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:

- Item 4 on page 1 for a loan between the city and the redevelopment agency in the amount of \$1.9 million. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city that created the redevelopment agency (RDA) and the former RDA are not enforceable unless the loan agreements were entered into within the first two years of the date of the creation of the RDA or are specifically for the repayment of debt service. It is our understanding that this loan meets neither of those requirements.
- Item 2 on page 2 for an Owner's Participation Agreement (OPA) in the amount of \$4 million. HSC 34163 (c) prohibits a redevelopment agency from amending or modifying any agreements, obligations, or commitments with any entity after June 27, 2011. It is our understanding that this OPA was amended after June 27, 2011.

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.

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

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.

Mr. Luke Watson
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Please direct inquiries to Chikako Takagi-Galamba, Supervisor or Cindie Lor, Lead Analyst at (916) 322-2985.

Sincerely,



MARK HILL
Program Budget Manager

cc: Ms. Pam Elias, Chief Accountant, Property Tax Division, Riverside County Auditor-Controller
Ms. April Nash, Supervising Accountant, Riverside County Auditor-Controller
Ms. Jennifer Baechel, Business Process Analyst II, Riverside County Auditor-Controller