



April 13, 2013

Mr. David Christian, Finance Director
City of Yorba Linda Successor Agency
4845 Casa Loma Avenue
Yorba Linda, CA 92885

Dear Mr. Christian:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Yorba Linda Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14A) to the California Department of Finance (Finance) on February 27, 2013 for the period of July through December 2013. Finance has completed its review of your ROPS 13-14A, 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 do not qualify as enforceable obligations:

- Item Nos. 14 and 22 – Memorandums of Understanding totaling \$866,506. The Agency provided insufficient documentation to support these items as enforceable obligations; there are no contracts in place for these items. HSC section 34163(b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011. Therefore, these items are not enforceable obligations at this time and not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.
- Item No. 15 – Legal Services administrative costs in the amount of \$100,000. This line item is considered a general administrative expense and should be counted toward the cap. Claimed administrative costs exceed the allowance by \$53,600. HSC section 34171 (b) limits administrative expenses to three percent of property tax allocated to the successor agency or \$250,000, whichever is greater. Three percent of the property tax allocated is \$156,060. Therefore, \$53,600 of the claimed \$303,600 is not an enforceable obligation.
- Item Nos. 40 through 43 – Tax Allocation Bonds totaling \$1,256,585. It is our understanding the Agency is requesting debt service reserves for the March 2014 period. The Agency has not provided sufficient documentation to support insufficient funding during the ROPS 13-14B period. HSC section 34171(d)(1)(A) allows for a reserve, when required by the bond indenture or when the next property tax allocation will be insufficient to pay all obligations due under the provisions of the bond for the next payment due in the following half of the calendar year. Therefore, this item is not eligible for funding on this ROPS.

- Item No. 48 and 49 – Town Center Development totaling \$7,954,380, funded by bond proceeds. These items are not enforceable obligations at this time. It is our understanding that no contracts were in place for these line items prior to June 27, 2011. HSC 34163 (b) prohibits an agency from entering into contracts with any entity after June 27, 2011. Pursuant to HSC section 34191.4 (c), your request to use bond funds for these obligations may be allowable once the Agency receives a Finding of Completion and if the bond proceeds proposed for use were derived from bonds issued prior to January 1, 2011.

Except for items denied in whole or in part as enforceable obligations, Finance is not objecting to the remaining items listed on your ROPS 13-14A. This determination applies only to items where funding was requested for the six month period. If you disagree with the determination with respect to any items on your ROPS 13-14A, you may request a Meet and Confer within five business days of the date of this letter. The Meet and Confer process and guidelines are available at Finance’s website below:

http://www.dof.ca.gov/redevelopment/meet_and_confer/

The Agency’s maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is \$5,452,003 as summarized below:

Approved RPTTF Distribution Amount For the period of July through December 2013	
Total RPTTF funding requested for obligations	\$ 7,425,094
Minus: Six-month total for items denied or reclassified as administrative cost	
Item 14	433,252
Item 15*	100,000
Item 22	433,254
Item 40	367,500
Item 41	260,066
Item 42	78,625
Item 43	550,394
Total approved RPTTF for enforceable obligations	\$ 5,202,003
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost	250,000
Minus: ROPS II prior period adjustment	-
Total RPTTF approved for distribution:	\$ 5,452,003

*Reclassified as administrative cost

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2012 period. HSC Section 34186 (a) also specifies that the 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 above table includes the prior period adjustment resulting from the CAC’s audit of the Agency’s self-reported prior period adjustment.

Please refer to the ROPS 13-14A schedule that was used to calculate the approved RPTTF amount:

[http://www.dof.ca.gov/redevelopment/ROPS/ROPS 13-14A Forms by Successor Agency/](http://www.dof.ca.gov/redevelopment/ROPS/ROPS_13-14A_Forms_by_Successor_Agency/).

This is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2013. 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 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 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 Alex Watt, Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Ms. Pamela Stoker, Redevelopment & Housing Manager
Mr. Frank Davies, Property Tax Manager, County of Orange
California State Controller's Office