



April 6, 2012

Lisa L. Kim, Senior Project Manager
City of Orange
Economic Development Department
230 E. Chapman Avenue
Orange, CA 92866

Dear Ms. Kim:

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the City of Orange (City) submitted a Recognized Obligation Payment Schedule (ROPS) to the California Department of Finance (Finance) on March 22, 2012. Finance staff contacted you for clarification of items listed in the ROPS.

The ROPS submitted to Finance is incomplete, and therefore, not approved for making obligation payments. The HSC section 34167 (i) states "the Department of Finance...shall...have the authority to require any documents associated with the enforceable obligation to be provided to them in a manner of their choosing." Finance requires the City to revise the ROPS as follows:

- Incorporate January obligations
- Identify the funding source for each obligation

Please use the template on the Finance website at http://www.dof.ca.gov/assembly_bills_26-27/view.php to prepare and submit a revised ROPS for Finance's review.

In addition to the above, Finance has determined several of the line items included on ROPS are not enforceable obligations (EO). The HSC section 34171 (d) lists EO characteristics. Based on our application of the law the following items do not qualify as EOs:

- Item No. 97 - Serrano Woods: Property acquisition & construction costs in the amount of \$7,145,234 executed on November 8, 2011. The HSC section 34163 (b) states that an agency shall not enter into contracts or make commitments to, any entity, but not limited to, loan agreements. The operative date for this provision in the law is June 27, 2011. The City executed the loan agreement after June 27, 2011, therefore, it is not an EO.
- Item Nos. 114 and 115 - Administrative expenses of \$142,060. 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. The City is allowed \$505,300 for administration costs. Therefore, \$142,060 of the claimed \$647,360 is not allowed.

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

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 Robert Scott, Supervisor or Wendy Griffe, Lead Analyst at (916) 322-2985.

Sincerely,

Handwritten signature of Mark Hill in cursive script, followed by the text "for Mark Hill" in a smaller, less legible cursive script.

MARK HILL
Program Budget Manager

cc: Mr. John Sibley, Executive Director, City of Orange Successor Agency
Mr. Rick Otto, Assistant Executive Director, City of Orange Successor Agency
Mr. Frank Davies, Orange County Auditor Controller, Orange County Development Agency