



April 26, 2012

Jeffery C. Parker, City Manager  
City of Tustin  
300 Centennial Way  
Tustin, CA 92780

Dear Mr. Parker:

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the City of Tustin Successor Agency submitted a Recognized Obligation Payment Schedule (ROPS) to the California Department of Finance (Finance) on April 11, 2012 submitted for the period January through June 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:

- Various contracts totaling \$7.1 million. HSC section 34163 (b) prohibits the Agency from entering into a contract with any entity after June 27, 2011. The contracts for the following line items were awarded after June 27, 2011:
  - Line item 59, page 5, Tustin Ranch Road Construction Phase 1 for \$1,107,000
  - Line item 68, page 5, Developer Selection Process for \$18,000
  - Line item 4, page 6, Tustin Ranch Road Construction Phase 1 for \$5,975,676
  - Line item 7, page 6, Archeological and Paleontological Services for \$13,130
- Page 6, item 5 - Capital Projects – TA Bond 2010 – Tustin Ranch Road Phase 2 for \$30 million. No contracts have been executed for the anticipated project. HSC section 34163 (b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011. Additionally, HSC section 34177 (i) states that bonds shall be used for the purpose for which the bonds were sold unless the purposes can no longer be achieved, in which case, the proceeds may be used to defease the bonds.
- Administrative cost claimed exceeds allowance by \$663,759 (see Attachment A). HSC section 34171 (b) limits the fiscal year 2011-12 administrative cost allowance to five percent of the property tax allocated to the successor agency or \$250,000, whichever is greater.

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.

## Attachment A

### Administrative Cost Calculation For the period January - June 2012

|   |                     |
|---|---------------------|
| <b>Total RPTTF Claimed (Excludes Pass-Throughs)</b>                 | <b>\$17,968,558</b> |
| (Less Disallowed Item 59, page 5)                                   | \$1,107,000.00      |
| (Less Admin Items 5, 9, 10, 13)                                     | <u>594,372.00</u>   |
| Subtotal  | \$1,701,372.00      |
| Total funded from RPTTF:  | 16,267,186          |
| 5% Property Tax Allocation:   | 813,359             |
| <b>Allowable Administrative Costs (Greater of 5% or \$250,000):</b> | <b>\$813,359</b>    |

| Line Items Considered Administrative Costs |           |   |                  |
|--|-----------|---|------------------|
| Page                                       | Line item | Description                                 | Amount           |
| 2  | 5         | Auditing Services                           | \$4,070          |
| 2  | 9         | Legal Services                              | 550,000          |
| 2  | 10        | City Treasurer                              | 16,302           |
| 2  | 13        | Bank Analysis Fes                           | 24,000           |
| 7  | 1         | Administrative Budget                       | 882,746.00       |
|  |           | Total Claimed                               | 1,477,118        |
|  |           | Less Administrative Cost Cap                | 813,359          |
|  |           | <b>Total Disallowed Administrative Cost</b> | <b>\$663,759</b> |

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Please direct inquiries to Evelyn Suess, Supervisor or Doug Evans, Lead Analyst at (916) 322-2985.

Sincerely,

A handwritten signature in black ink that reads "Mark Hill". The signature is written in a cursive, flowing style.

MARK HILL  
Program Budget Manager

cc: Ms. Christine Shingleton, Assistant City Manager, City of Tustin  
Ms. Pamela Arends-King, Finance Director, City of Tustin  
Mr. John Buchanan, Program Manager, City of Tustin  
Mr. Frank Davies, Administrative Manager, Orange County