



May 3, 2012

Jeffrey 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 18, 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:

- Various contracts totaling \$517,630. 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 65, page 5, Developer Selection Process for \$4,500
  - Line item 4, page 6, Tustin Ranch Road Construction Phase 1 for \$500,000
  - Line item 10, page 6, Archeological and Paleontological Services for \$13,130
- No contracts have been executed for the anticipated Tustin Ranch Road Phase 2 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. Therefore, the unexpended funds may not be used to enter into new obligations and do not qualify as EOs:
  - Line 5, page 6, Capital Projects – TA Bond – Tustin Ranch Road Phase 2 for \$24 million
  - Line 7, page 6, Tustin Ranch Road Construction Phase 2 for \$8 million
  - Line 8, page 6, Engineering Construction Support for \$300,000
- Line item 6, page 6 – Direct project costs (salary and benefits) for Tustin Tax Allocation Bonds, series 2010 for \$577,538. The administrative costs claimed appear to be related to the above projects (4, 5 and 7, page 6) which do not qualify as enforceable obligations.
- Page 7, item 1 - Administrative cost allowance \$519,120. HSC section 34171 (b) limits the 2012-13 administrative cost allowance to three percent of the property tax allocated to the successor agency or \$250,000, whichever is greater. Three percent of the

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property tax allocated in 2011-13 is \$292,260. Therefore, \$519,120 of the \$811,380 in administrative costs is not an EO. See the attached schedule for calculation of administrative costs.

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 and submit to the following email address:

[Redevelopment\\_Administration@dof.ca.gov](mailto:Redevelopment_Administration@dof.ca.gov)

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.

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

Sincerely,



MARK HILL  
Program Budget Manager

Attachment

cc: Ms. Christine Shingleton, Assistant Executive Director, 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

**Attachment A**

**Administrative Cost Calculation  
For the Period January – June 2012**

Total RPTTF Claimed (Page 1)		<b>\$10,246,015</b>
(Less admin lines items 5 and 9)		504,000
	Subtotal:	9,742,015
	3% Tax Allocation :	292,260
	<b>Administrative Cost Allowance (Greater of 3% or \$250,000):</b>	<b>\$292,260</b>

**Line Items Considered Administrative Costs**

Page	Line item	Description	Amount
2	5	Auditing Services	\$12,000.00
2	9	Legal Services	492,000.00
7	1	Administrative budget	307,380.00
		Total Claimed:	811,380.00
		Administrative Allowance:	292,260
		<b>Total Disallowed Administrative Cost:</b>	<b>\$519,120</b>