



November 8, 2013

Mr. David Christian, Finance Director
City of Yorba Linda
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 13-14B) to the California Department of Finance (Finance) on September 26, 2013 for the period of January through June 2014. Finance has completed its review of your ROPS 13-14B, 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 for the reasons specified:

- Item No. 7 – Low and Moderate Income Housing Fund (LMIHF) Loan in the amount of \$1,907,927 for Redevelopment Property Tax Trust Fund (RPTTF) funding is not allowed at this time. HSC section 34176 (e) (6) (B) specifies loan or deferral repayments to the LMIHF shall not be made prior to the 2013-14 fiscal year. While ROPS 13-14B technically falls within fiscal year 2013-14, the repayment of these deferred OR loaned amounts is subject to the repayment formula outlined in HSC section 34176 (e) (6) (B).

HSC section 34176 (e) (6) (B) allows this repayment to be equal to one-half of the increase between the ROPS residual pass-through distributed to the taxing entities in that fiscal year and the ROPS residual pass-through distributed to the taxing entities in the 2012-13 base year. Since the formula does not allow for estimates, the Agency must wait until the ROPS residual pass-through distributions are known for fiscal year 2013-14 before requesting funding for this obligation. Therefore, the Agency may be able to request funding for the repayment of this loan beginning with ROPS 14-15A.

- Item No. 45 – Professional Services for the Long-Range Property Management Plan in the amount of \$22,000. According to the Diamond Star Extension Letter Agreement, the Agency is responsible for \$50,000 of the contract amount. Therefore, the excess \$22,000 (\$72,000-\$50,000) is not an enforceable obligation and not eligible for RPTTF funding.

- Item Nos. 46 and 47 – Professional Services for the Long-Range Property Management Plan totaling \$20,500. The Agency was unable to provide sufficient documentation to support the amounts claimed. Therefore, these items are not enforceable obligations and are not eligible for RPTTF funding.
- Item No. 48 – Town Center Development in the amount of \$19,503. The Agency requested an amount in excess of the total outstanding obligation, \$6,796,640. Therefore, the excess \$19,503 (\$6,796,640 – \$6,777,137) is not an enforceable obligation and is not eligible for Bond Funds.
- Item No. 50 – Contingent Litigation in the amount of \$1,000,000. The Agency was unable to provide sufficient documentation to support the amount claimed. Therefore, this item is not an enforceable obligation and not eligible for RPTTF funding.
- Item Nos. 53 and 54, and 55 and 56 – Various Tax Allocation Bonds totaling \$8,551,750. HSC 34171 (d) (1) (A) states that a reserve may be held 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. However, based on information provided by the Agency, including trustee statements, the Agency has sufficient funds to meet the reserve requirements. Therefore, these line items are not enforceable obligations and are not eligible for RPTTF funding.
- The Agency's claimed administrative costs exceed the allowance by \$157,200. HSC section 34171 (b) limits the fiscal year 2014 administrative expenses to three percent of property tax allocated to the Agency or \$250,000, whichever is greater. The Orange County Auditor-Controller's Office did not distribute administrative costs for the July through December 2013 period, thus leaving a balance of \$250,000 available for the January through June 2014 period. Although \$407,200 is claimed for administrative cost, only \$250,000 is available pursuant to the cap. Therefore, \$157,200 of excess administrative cost is not allowed.

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 January through June 2013 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 table below includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

Except for the items denied in whole or in part as enforceable obligations or for the items that have been reclassified, Finance is not objecting to the remaining items listed on your ROPS 13-14B. If you disagree with the determination with respect to any items on your ROPS 13-14B, 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 RPTTF distribution for the reporting period is \$977,325 as summarized below:

Approved RPTTF Distribution Amount	
For the period of January through June 2014	
Total RPTTF requested for non-administrative obligations	11,955,757
Total RPTTF requested for administrative obligations	407,200
Total RPTTF requested for obligations	\$ 12,362,957
Total RPTTF requested for non-administrative obligations	11,955,757
<u>Denied Items</u>	
Item No. 7	(1,907,927)
Item No. 45	(22,000)
Item No. 46	(8,000)
Item No. 47	(12,500)
Item No. 50	(100,000)
Item No. 53	(3,568,600)
Item No. 54	(1,713,150)
Item No. 55	(1,300,000)
Item No. 56	(1,970,000)
	<u>(10,602,177)</u>
Total RPTTF approved for non-administrative obligations	1,353,580
Total RPTTF allowable for administrative obligations (see Admin Cost Cap table below)	250,000
Total RPTTF approved for obligations	1,603,580
Self-Reported ROPS III prior period adjustment (PPA)	(626,255)
Total RPTTF approved for distribution	\$ 977,325
Administrative Cost Cap Calculation	
Total RPTTF for 13-14A (July through December 2013)	4,450,051
Total RPTTF for 13-14B (January through June 2014)	1,353,580
Total RPTTF for fiscal year 2013-14	5,803,231
Allowable administrative cost for fiscal year 2013-14 (Greater of 3% or \$250,000)	250,000
Administrative allowance for 13-14A (July through December 2013)	-
Allowable RPTTF distribution for administrative cost for ROPS 13-14B	250,000

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

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

Absent a Meet and Confer, this is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2014. This determination applies only to items where funding was requested for the six month period. 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 HSC section 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,



JUSTYN HOWARD
Assistant Program Budget Manager

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