



December 17, 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

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated November 8, 2013. 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 Finance on September 26, 2013, for the period of January through June 2014. Finance issued a ROPS determination letter on November 8, 2013. Subsequently, the Agency requested a Meet and Confer session on one or more of the items denied by Finance. The Meet and Confer session was held on November 22, 2013.

Based on a review of additional information and documentation provided to Finance during the Meet and Confer process, Finance has completed its review of the specific items being disputed.

- Item No. 47 – Professional Services for the Long-Range Property Management Plan totaling \$12,500. This item was initially denied because the Agency was unable to provide sufficient documentation to support the amounts claimed. During the Meet and Confer process, the Agency stated that the services of Gold County Escrow will not be needed during this ROPS period because the Agency believes that properties listed on the Long Range Property Management Plan will not be sold until the July through December 2014 (ROPS 14-15A) period. Therefore, the Agency will not be requesting RPTTF this period and the amount for this line item is adjusted to \$0.
- Item No. 48 – Town Center Development in the amount of \$19,503. This item was initially denied because the Agency requested an amount in excess of the total outstanding obligation. During the Met and Confer, the Agency identified that they failed to enter the updated obligation amount since the last ROPS; however they entered the correct amount of unspent bond 2005 bond proceeds that are requested for distribution. The agency representative noted that this payment will satisfy the entire debt of this obligation. Our review indicates that the Agency received their Finding of Completion on May 9, 2013 and use of these unspent 2005 bond proceeds was approved during the July through December 2013 (ROPS 13-14A) period; however, the agency did not expend these any of these funds. As such, the Agency has requested to expend these

excess bond proceeds during the ROPS 13-14B period. Therefore, Finance will adjust the total outstanding obligation amount to \$6,796,640 and approves the expenditure of unspent 2005 bond proceeds in the amount of \$6,796,640 this period.

- Item No. 50 – Contingent Litigation in the amount of \$1,000,000. This item was initially denied because the Agency was unable to provide sufficient documentation to support the amount claimed. During the Meet and Confer, the Agency stated that this amount was for any potential litigation. The Agency stated that they have entered into a contract for third party legal services in case they decide to pursue litigation; however, Finance notes that the Agency does not have an ongoing litigation case, or is preparing to file litigation. Therefore, this item is not an enforceable obligation at this time. When the Agency determines it is necessary to begin the litigation process, this item may be placed on the next available ROPS. Since funding is not needed for litigation costs during the ROPS 13-14B period, this item is not eligible for RPTTF funding.
- Item Nos. 53 through 56 – Various Tax Allocation Bonds totaling \$8,551,750. Initially, this item was denied due to lack of documentation provided. During the Meet and Confer, the Agency provided documentation to validate the amounts requested and identified that the Agency will not receive sufficient RPTTF in the next period to pay debt service obligations. HSC section 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. Finance notes that the Agency requested \$2,715,374 (\$8,551,000 - \$5,836,376) in excess of the amounts needed to pay the bond debt service payments in the next period. The \$2,715,374 will continue to be denied. Finance approves the following amounts of RPTTF bond debt service reserves:

1993 TAB Series A – \$3,568,600  
2005 TAB Series A - \$875,132  
2005 TAB Series B - \$157,250  
2011 TAB Series A - \$1,235,394

Finance notes that pursuant to HSC section 34183 (a) (2) (A), debt service payments have first priority for payment from distributed RPTTF funding. As such, the additional \$5,836,376 requested to be held in reserve should be transferred upon receipt to the bond trustee(s) along with the amounts approved for the other ROPS 13-14B debt service payments prior to making any other payments on approved ROPS items. Any requests to fund these items again in the ROPS 14-15A period will be denied unless insufficient RPTTF is received to satisfy both the debt service payments due during the ROPS 13-14B period and the reserve amounts requested in ROPS 13-14B for the ROPS 14-15A debt service payments.

In addition, per Finance's letter dated November 8, 2013, we continue to deny the following items not contested by the Agency during the Meet and Confer:

- Item No. 7 – Low and Moderate Income Housing Fund (LMIHF) Loan in the amount of \$1,907,927 for 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 No. 46 – Professional Services for the Long-Range Property Management Plan totaling \$8,000. The Agency was unable to provide sufficient documentation to support the amounts claimed. Therefore, this item is not an enforceable obligation and is 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. The Agency's maximum approved RPTTF distribution for the reporting period is \$6,912,889 as summarized below:

<b>Approved RPTTF Distribution Amount For the period of January through June 2014</b>	
Total RPTTF requested for non-administrative obligations	11,955,757
Total RPTTF requested for administrative obligations	407,200
<b>Total RPTTF requested for obligations</b>	<b>\$ 12,362,957</b>
<b>Total RPTTF requested for non-administrative obligations</b>	<b>11,955,757</b>
<u>Denied Items</u>	
Item No. 7	(1,907,927)
Item No. 45	(22,000)
Item No. 46	(8,000)
Item No. 50	(100,000)
Item No. 54	(1,713,150)
Item No. 55	(267,618)
Item No. 56	(734,606)
	<u>(4,753,301)</u>
<u>Adjusted Items</u>	
Item No. 47	(12,500)
<b>Total RPTTF approved for non-administrative obligations</b>	<b>7,189,956</b>
<b>Total RPTTF allowable for administrative obligations (see Admin Cost Cap table below)</b>	<b>349,188</b>
<b>Total RPTTF approved for obligations</b>	<b>7,539,144</b>
Self-Reported ROPS III prior period adjustment (PPA)	(626,255)
<b>Total RPTTF approved for distribution</b>	<b>\$ 6,912,889</b>
<b>Administrative Cost Cap Calculation</b>	
Total RPTTF for 13-14A (July through December 2013)	4,450,051
Total RPTTF for 13-14B (January through June 2014)	7,189,956
<b>Total RPTTF for fiscal year 2013-14</b>	<b>11,639,607</b>
Allowable administrative cost for fiscal year 2013-14 (Greater of 3% or \$250,000)	349,188
Administrative allowance for 13-14A (July through December 2013)	-
<b>Allowable RPTTF distribution for administrative cost for ROPS 13-14B</b>	<b>349,188</b>

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/).

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 section 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, 111 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 Evelyn Suess, Dispute Resolution Supervisor, or Danielle Brandon, 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