



May 16, 2014

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 April 15, 2014. 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 14-15A) to Finance on March 3, 2014, for the period of July through December 2014. Finance issued a ROPS determination letter on April 15, 2014. 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 May 7, 2014.

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. 7 – Low/Mod Income Housing Fund Loan repayment in the amount of \$3,815,853. The Agency received a Finding of Completion on May 9, 2013. As such, the Agency may place loan agreements between the former redevelopment agency and sponsoring entity on the ROPS, as an enforceable obligation, provided the oversight board makes a finding the loan was for legitimate redevelopment purposes per HSC section 34191.4 (b) (1). Additionally, HSC section 34191.4 (b) (2) (A) specifies this repayment to be equal to one-half of the increase between the ROPS residual pass-through distributed to the taxing entities in the fiscal year 2012-13 base year.

According to the Orange County Auditor-Controller's (CAC) report, the ROPS residual pass-through amounts distributed to the taxing entities for fiscal year 2012-13 and 2013-14 are \$6,337,578 and \$2,156,971, respectively. Pursuant to the repayment formula outlined in HSC section 34191.4 (b) (2) (A), the maximum repayment amount authorized for fiscal year 2014-15 is \$0. Therefore, the requested \$3,815,853 is not eligible for funding on this ROPS. The Agency may be eligible for funding beginning in ROPS 15-16A.

During the Meet and Confer process, the Agency disagreed with the amounts reported by the CAC. However, Finance confirmed with the CAC that the amounts originally

reported as being distributed are correct. Therefore, Finance's determination remains as stated.

- Item No. 45 – Long-Range Property Management Plan in the amount of \$26,685. Finance no longer denies this item. Finance initially denied this item as it was our understanding the Diamond Star agreement expires on June 30, 2014, and the contract amount is not to exceed \$75,000. Additionally, the Agency was approved funding for this item on both ROPS 13-14A and ROPS 13-14B periods. The Agency has until June 30, 2014 to spend the \$50,000 approved for the ROPS 13-14B period. During the Meet and Confer process, the Agency provided clarification that the amount requested is the remaining balance on the contract. The Agency anticipates submitting an Oversight Board action to extend the contract beyond June 30, 2014. Therefore, this item is eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.
- Item No. 58 – City of Yorba Linda (City) Loan Repayment Agreement in the amount of \$6,035,671 is not allowed. As described above, pursuant to the repayment formula outlined in HSC section 34191.4 (b) (2) (A), the maximum repayment amount authorized for fiscal year 2014-15 is \$0. Therefore, the loan repayment is not eligible for funding on this ROPS. The Agency may be eligible for funding beginning in ROPS 15-16A.

During the Meet and Confer process, the Agency disagreed with the amounts reported by the CAC. However, Finance confirmed with the CAC that the amounts originally reported as being distributed are correct. Therefore, Finance's determination remains as stated.

In addition, per Finance's letter dated April 15, 2014, we continue to deny the following items not contested by the Agency during the Meet and Confer:

- The Agency's claimed administrative costs exceed the allowance by \$157,200. HSC section 34171 (b) limits the fiscal year 2014-2015 administrative expenses to three percent of property tax allocated to the Agency or \$250,000, whichever is greater. 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 14-15A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2013 period. HSC section 34186 (a) also specifies 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 14-15A. The Agency's maximum approved RPTTF distribution for the reporting period is \$321,223 as summarized in the following table:

Approved RPTTF Distribution	
For the period of July through December 2014	
Total RPTTF requested for non-administrative obligations	9,922,747
Total RPTTF requested for administrative obligations	407,200
Total RPTTF requested for obligations	\$ 10,329,947
Total RPTTF requested for non-administrative obligations	9,922,747
Denied Items	
Item No. 7	(3,815,853)
Item No. 58	(6,035,671)
	(9,851,524)
Total RPTTF authorized for non-administrative obligations	\$ 71,223
Total RPTTF requested for administrative obligations	407,200
Administrative costs in excess of the cap	(157,200)
Total RPTTF authorized for administrative obligations	\$ 250,000
Total RPTTF authorized for obligations	\$ 321,223
ROPS 13-14A prior period adjustment	0
Total RPTTF approved for distribution	\$ 321,223

Please refer to the ROPS 14-15A schedule that was used to calculate the approved RPTTF amount:

<http://www.dof.ca.gov/redevelopment/ROPS>

This is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2014. This determination only applies 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 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.

Mr. David Christian
May 16, 2014
Page 4

Please direct inquiries to Evelyn Suess, Dispute Resolution Supervisor, or Mary Halterman, 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