DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. ▪ GOVERNOR

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November 14, 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

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 14-15B) to the California Department of Finance (Finance) on October 2, 2014 for the period of January 1 through June 30, 2015. Finance has completed its review of your ROPS 14-15B, which may have included obtaining clarification for various items.

Based on a sample of line items reviewed and application of the law, Finance made the following determinations:

- Item No. 45 – Long-Range Property Management Plan (LRPMP) services in the amount of $15,580 are not allowed. Finance approved the Agency's LRPMP in the letter dated June 13, 2014; and these services are no longer necessary. Therefore, this item is not an enforceable obligation and is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.

- Item No. 52 – Historic Survey Implementation Program in the amount of $4,970 is not allowed. The contract supporting this item expired December 31, 2012. To the extent the Agency can provide suitable documentation, such as an amended contract or vendor invoices to support the requested funding, the Agency may be able to obtain RPTTF on future ROPS.

- Item No. 62 – Legal Litigation in the amount of $200,000 is not allowed at this time. It is our understanding the Agency is in the preliminary planning stage, and plans to have something in place by January 2015. However, no documentation was provided to support the amounts claimed. To the extent the Agency can provide suitable documentation, such as an executed contract or agreement, or vendor invoices, to support the requested funding, the Agency may be able to obtain RPTTF on future ROPS.

- Item Nos. 63, 65 through 68 – Town Center Land Disposition costs totaling $225,000 are not allowed. It is our understanding the Agency has received estimates from various vendors, however, no documentation was provided to support the amounts claimed. To

the extent the Agency can provide suitable documentation, such as executed contracts or vendor estimates to support the requested funding, the Agency may be able to obtain RPTTF on future ROPS.

- Item No 64 – Town Center Land Disposition totaling $25,000 is not an obligation of the Agency. It is our understanding the agreement entered into on July 15, 2014 is between the City of Yorba Linda and Larry Cohn Photography, the Agency is not a party to the contract. 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 $250,000. HSC section 34171 (b) limits the fiscal year 2014-15 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 distributed $250,000 for the July through December 2014 period, thus leaving a balance of $0 available for the January through June 2015 period. Although $250,000 is claimed for administrative cost, $0 is available pursuant to the cap. Therefore, $250,000 of excess administrative cost is not allowed.

During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should be used prior to requesting RPTTF. Pursuant to HSC section 34177 (l) (1) (E), RPTTF may be used as a funding source, but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation. The Agency provided financial records that displayed available Other Funds balances totaling $31,820.

Therefore, the funding source for the following item has been reclassified to Other Funds and in the amount specified below:

- Item No. 53 – 1993 Tax Allocation Bonds Series A. The Agency requests $ 3,602,500 from RPTTF; however, Finance is reclassifying $31,820 to Other Funds. This item is an enforceable obligation for the ROPS 14-15B period. However, the obligation does not require payment from property tax revenues and the Agency has $31,820 in available Other Funds. Therefore, Finance is approving RPTTF in the amount of $3,570,680 and the use of Other Funds in the amount of $31,820, totaling $3,602,500.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 14-15B form the estimated obligations and actual payments (prior period adjustments) associated with the January through June 2014 period. HSC section 34186 (a) also specifies prior period adjustments self-reported by successor agencies are subject to review 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 review of the Agency's self-reported prior period adjustment.

Except for the items denied in whole or in part or items that have been reclassified, Finance is not objecting to the remaining items listed on your ROPS 14-15B. If you disagree with the determination with respect to any items on your ROPS 14-15B, 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 $5,861,304 as summarized in the Approved RPTTF Distribution Table below:

Approved RPTTF Distribution For the period of January through June 2015		
Total RPTTF requested for non-administrative obligations		6,881,108
Total RPTTF requested for administrative obligations		250,000
Total RPTTF requested for obligations on ROPS	**$**	**7,131,108**
Total RPTTF requested for non-administrative obligations		**6,881,108**
Denied Items		
Item No. 45		(15,580)
Item No. 52		(4,970)
Item No. 62		(200,000)
Item No. 63		(120,000)
Item No. 64		(25,000)
Item No. 65		(80,000)
Item No. 66		(10,000)
Item No. 67		(10,000)
Item No. 68		(5,000)
		(470,550)
Cash Balances - Item reclassified to other funding sources		
Item No. 53		(31,820)
		(31,820)
Total RPTTF authorized for non-administrative obligations	**$**	**6,378,738**
Total RPTTF requested for administrative obligations		**250,000**
Administrative costs in excess of the cap (see Admin Cost Cap table below)		(250,000)
Total RPTTF authorized for administrative obligations		**0**
Total RPTTF authorized for obligations	**$**	**6,378,738**
ROPS 13-14B prior period adjustment		(517,434)
Total RPTTF approved for distribution	**$**	**5,861,304**

Administrative Cost Cap Calculation		
Total RPTTF for 14-15A (July through December 2014)		71,223
Total RPTTF for 14-15B (January through June 2015)		6,401,648
Less approved unfunded obligations from prior periods		0
Total RPTTF for fiscal year 2014-2015		**6,472,871**
Allowable administrative cost for fiscal year 2014-15 (Greater of 3% or $250,000)		250,000
Administrative allowance for 14-15A (July through December 2014)		250,000
Allowable RPTTF distribution for administrative cost for ROPS 14-15B		**0**
Total RPTTF administrative obligations after Finance adjustments		250,000
Administrative costs in excess of the cap	**$**	**(250,000)**

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

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

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, 2015. 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 the 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 agency in the RPTTF.

Pursuant to HSC section 34177 (a) (3), only those payments listed on an approved ROPS may be made by the successor agency from the funds specified in the ROPS. However, if for whatever reason the Agency needs to make payments for approved obligations from another funding source, HSC section 34177 (a) (4) requires the Agency to first obtain oversight board approval.

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 Alexander Watt, Lead Analyst at (916) 445-1546.

Sincerely,

JUSTYN HOWARD
Acting 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