

December 17, 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 November 14, 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 14-15B) to Finance on October 2, 2014, for the period of January through June 2015. Finance issued a ROPS determination letter on November 14, 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 December 3, 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. 45 – Long-Range Property Management Plan (LRPMP) services in the amount of \$15,580. Finance continues to deny this item. Finance previously determined that the Agency's LRPMP was approved in the letter dated June 13, 2014; and these services are no longer necessary. During the Meet and Confer process, the Agency claims that although the LRPMP has been approved, these costs are associated with a contract between the City of Yorba Linda and Diamond Star Associates for preparation of the LRPMP and disposing of the Agency's assets. However, our review of the agreement indicates that the contract expired on June 30, 2014. Therefore, this item is not an enforceable obligation and is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.
- Item No. 62 – Legal Litigation in the amount of \$200,000. Finance no longer denies this item. Finance initially denied this item because no documentation was provided to support the amounts claimed. During the Meet and Confer process, the Agency provided the methodology related to the estimate to support the amount requested. Therefore, this item is an enforceable obligation and eligible for RPTTF funding.
- Item No. 64 – Town Center Land Disposition totaling \$25,000. Finance no longer denies this item. Finance initially denied this item because it was 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. During the Meet and Confer process, the Agency provided the agreement entered into by the Agency on October 29, 2014, for photography services related to disposing properties in accordance with the LRPMP. Therefore, this item is an enforceable obligation eligible for RPTTF funding.

- Item Nos. 66 and 67 – Town Center Land Disposition costs totaling \$20,000. Finance no longer denies these items. Finance initially denied these items because it was our understanding the Agency had received estimates from various vendors; however, no documentation was provided to support the amounts claimed. During the Meet and Confer process, the Agency provided estimates from two consultants to perform engineering survey work for street vacation related to disposing properties in accordance with the LRPMP. Therefore, these items are enforceable obligations and eligible for RPTTF funding.
- 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. During the Meet and Confer process, the Agency provided financial records that displayed available Other Funds balances totaling \$29,460, not \$31,820. The \$2,360 difference is related to estimated interest revenues not yet realized. 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 \$29,460 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 \$29,460 in available Other Funds. Therefore, Finance is approving RPTTF in the amount of \$3,573,040 and the use of Other Funds in the amount of \$29,460, totaling \$3,602,500.

In addition, per Finance's letter dated November 14, 2014, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

- 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 Nos. 63, 65, and 68 – Town Center Land Disposition costs totaling \$205,000 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.

- 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.

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. The Agency's maximum approved RPTTF distribution for the reporting period is \$6,108,664 as summarized in the Approved RPTTF Distribution Table in the following page:

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
<u>Denied Items</u>	
Item No. 45	(15,580)
Item No. 52	(4,970)
Item No. 63	(120,000)
Item No. 65	(80,000)
Item No. 68	(5,000)
	(225,550)
Total RPTTF for non-administrative obligations	\$ 6,655,558
<u>Cash Balances - Item reclassified to other funding sources</u>	
Item No. 53	(29,460)
	(29,460)
Total RPTTF authorized for non-administrative obligations	\$ 6,626,098
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	\$ -
Total RPTTF authorized for obligations	\$ 6,626,098
ROPS 13-14B prior period adjustment	(517,434)
Total RPTTF approved for distribution	\$ 6,108,664

Administrative Cost Cap Calculation	
Total RPTTF for 14-15A (July through December 2014)	71,223
Total RPTTF for 14-15B (January through June 2015)	6,655,558
Total RPTTF for fiscal year 2014-2015	6,726,781
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>

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.

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Please direct inquiries to Evelyn Sues, Dispute Resolution Supervisor, or Danielle Brandon, 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