



November 10, 2015

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) (1) (A), the City of Yorba Linda Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule for the period January 1 through June 30, 2016 (ROPS 15-16B) to the California Department of Finance (Finance) on September 30, 2015. Finance has completed its review of the ROPS 15-16B.

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

- Item Nos. 59 and 60 – Various Affordable Housing Program costs totaling \$671,879 requested for ROPS 15-16B, total obligation in the amount of \$2,373,977 is not allowed. The Agency was unable to provide sufficient documentation to support the amounts claimed this period. Furthermore, the Agency was unable to provide sufficient documentation to support the Reserve Balances as legally restricted for these projects. Therefore, to the extent the Agency can provide suitable documentation, such as contracts and invoices, the Agency may be able to request Redevelopment Property Tax Trust Funds (RPTTF) in a subsequent period.

Finance reclassified these Reserve Balances to Item No. 56. - 2011 Tax Allocation Bonds Series A. The Agency requests \$1,131,907 from RPTTF; however, Finance is reclassifying \$671,879 to Reserve Balances. Therefore, Finance approves RPTTF in the amount of \$460,028 and the use of Reserve Balances in the amount of \$671,879, totaling \$1,131,907 for Item No. 56.

- Item Nos. 66, 67, and 71 – Town Center Land Disposition Professional Services totaling \$30,000 are not allowed. It is our understanding the Agency desires to enter into professional services for the preparation of plat maps, legal descriptions, short survey work, and the street vacation of the "Town Center Project". However, Pursuant to HSC 34163 (b), an Agency shall not have the authority to, and shall not, enter into contracts with or make commitments to, any entity...for any purpose, including, but not limited to, agreements for planning, design, redesign, development, demolition,

alteration, construction, reconstruction, rehabilitation, site remediation, site development or improvement, removal of graffiti, land clearance, and seismic retrofits.

Furthermore, although HSC 34171 (d) (1) (F) allows contracts or agreements necessary for the maintenance of assets prior to disposition, the Agency has been unable to support these services as necessary for the maintenance or disposition of property approved pursuant to the Agency's Long-Range Property Management Plan (LRPMP).

Finally, according to HSC section 34177.3 (a), successor agencies shall lack the authority to, and shall not, create new enforceable obligations or begin new redevelopment work, except in compliance with an enforceable obligation that existed prior to June 28, 2011. These proposed contracts would create new development work, and are not in compliance with an enforceable obligation existing prior to June 28, 2011. Additionally, HSC section 34177.3 (b) states that, unless required by an enforceable obligation, costs of winding down a redevelopment agency do not include design, redesign, land clearance, and other similar work.

- Item No. 72 – Litigation Services in the amount of \$180,565 have been reclassified to the Administrative Cost Allowance (ACA). Pursuant to HSC 34171 (d) (1) (F) (i), legal expenses contesting the validity of dissolution law, or challenging acts taken pursuant to the dissolution laws shall only be payable out of the ACA. This item relates to costs incurred by the Agency in challenging Finance's ROPS determination. Therefore, this item is considered a general administrative cost payable from the Agency's ACA.
- Claimed administrative costs exceed the ACA by \$180,565. HSC section 34171 (b) (2) limits the fiscal year 2015-16 administrative expenses to three percent of the RPTTF allocated or \$250,000, whichever is greater. The Orange County Auditor-Controller distributed \$125,000 for the July through December 2015 period, leaving a balance of \$125,000 available for the January through June 2016 period. Although \$305,565 (\$125,000 + \$180,565 as stated above) is claimed for the ACA, only \$125,000 is available pursuant to the cap. Therefore, \$180,565 of excess ACA is not allowed.

Pursuant to HSC section 34186 (a) (1), the Agency was required to report on the ROPS 15-16B form the estimated obligations versus actual payments (prior period adjustment) associated with the January through June 2015 period (ROPS 14-15B). HSC section 34186 (a) (1) also specifies the prior period adjustment self-reported by the Agency is subject to review by the county auditor-controller (CAC). The amount of Redevelopment Property Tax Trust Fund 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 the items that have been reclassified, Finance is not objecting to the remaining items listed on your ROPS 15-16B. If you disagree with Finance's determination with respect to any items on your ROPS 15-16B, except for those items which are the subject of litigation disputing Finance's previous or related determinations, 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/](http://www.dof.ca.gov/redevelopment/meet_and_confer/)

The Agency's maximum approved RPTTF distribution for the reporting period is \$5,591,170 as summarized in the Approved RPTTF Distribution table below:

<b>Approved RPTTF Distribution</b>	
<b>For the period of January through June 2016</b>	
Total RPTTF requested for non-administrative obligations	6,618,399
Total RPTTF requested for administrative obligations	125,000
<b>Total RPTTF requested for obligations on ROPS 15-16B</b>	<b>\$ 6,743,399</b>
<b>Total RPTTF requested for non-administrative obligations</b>	<b>6,618,399</b>
<u>Denied Items</u>	
Item No. 66	(10,000)
Item No. 67	(10,000)
Item No. 71	(10,000)
	(30,000)
<u>Reclassified Item</u>	
Item No. 56	(671,879)
Item No. 72	(180,565)
	(852,444)
<b>Total RPTTF authorized for non-administrative obligations</b>	<b>\$ 5,735,955</b>
<b>Total RPTTF requested for administrative obligations</b>	<b>125,000</b>
<u>Reclassified Item</u>	
Item No. 72	180,565
Administrative costs in excess of the cap (see Admin Cost Cap table below)	(180,565)
<b>Total RPTTF authorized for administrative obligations</b>	<b>\$ 125,000</b>
<b>Total RPTTF authorized for obligations</b>	<b>\$ 5,860,955</b>
ROPS 14-15B prior period adjustment	(269,785)
<b>Total RPTTF approved for distribution</b>	<b>\$ 5,591,170</b>

<b>Administrative Cost Cap Calculation</b>	
Total RPTTF for 15-16A (July through December 2015)	107,680
Total RPTTF for 15-16B (January through June 2016)	6,407,834
<b>Total RPTTF for fiscal year 2015-2016</b>	<b>6,515,514</b>
Administrative cost cap for fiscal year 2015-16 (Greater of 3% of Total RPTTF or \$250,000)	250,000
Administrative allowance for ROPS 15-16A (July through December 2015)	125,000
<b>Remaining administrative cost cap for ROPS 15-16B</b>	<b>125,000</b>
ROPS 15-16B administrative obligations after Finance adjustments	(305,565)
<b>Administrative costs in excess of the cap</b>	<b>\$ (180,565)</b>

On the ROPS 15-16B form, the Agency reported cash balances and activity for the period January 1 through December 31, 2015. Finance will perform a review of the Agency's self-reported cash balances on an ongoing basis. Please be prepared to submit financial records and bridging documents to support the cash balances reported upon request. If it is determined the Agency possesses cash balances that are available to pay approved obligations, HSC section 34177 (l) (1) (E) requires these balances be used prior to requesting RPTTF.

Please refer to the ROPS 15-16B schedule used to calculate the total RPTTF approved for distribution:

<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, 2016. This determination only applies to items when 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 ROPS periods. All items listed on a future ROPS are subject to review and may be denied even if it was not denied on this ROPS or a preceding ROPS. The only exception is for items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). Finance's review of Final and Conclusive items 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 available prior to the enactment of the redevelopment dissolution statutes. 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.

Please direct inquiries to Nichelle Thomas, Supervisor, or Alexander Watt, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD  
Program Budget Manager

cc: Ms. Pamela Stoker, Redevelopment & Housing Manager, City of Yorba Linda  
Mr. Frank Davies, Property Tax Manager, Orange County