



April 27, 2012

Richard Storey, Finance Director
City of Cypress
5275 Orange Avenue
Cypress, CA 90630

Dear Mr. Storey:

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the Successor Agency to the Dissolved Cypress Redevelopment Agency submitted a Recognized Obligation Payment Schedule (ROPS) to the California Department of Finance (Finance) on April 13, 2012, for the January through June 2012 period and the July through December 2012 period. Finance staff contacted you for clarification of items listed in the ROPS.

HSC section 34171 (d) lists enforceable obligation (EO) characteristics. Based on a sample of line items reviewed and application of the law, the following items do not qualify as EOs:

January through June 2012 Period

- Promissory Note, on page 1, in the amount of \$25.1 million. HSC section 34171 (d) (2) states that loan agreements, contracts, or arrangements between the city that created the redevelopment agency (RDA) and the former RDA are not enforceable unless the agreements were entered into within the first two years of the date of the creation of the former RDA. It is our understanding that the loan was not issued within the first two years of the former RDA's establishment date of 1979.
- County Property Tax Administration, on page 1, in the amount of \$65,000. HSC section 34182 (e) allows the county auditor-controller to deduct from the Redevelopment Property Tax Trust Fund for their administration costs prior to distributing property tax increment funds. Therefore, this item is not an EO.

Further, the ROPS submitted to Finance is not in the recommended format. For reference, please refer to Finance's website at: http://www.dof.ca.gov/assembly_bills_26-27/view.php (Exhibit 6). Please revise the ROPS to sequentially number the items listed on the ROPS.

As authorized by HSC section 34179 (h), Finance is returning your ROPS for your reconsideration. This action will cause the specific ROPS items noted above to be ineffective until Finance approval. Furthermore, items listed on future ROPS will be subject to review and may be denied as EOs.

If you believe we have reached this conclusion in error, please provide further evidence that the items questioned above meet the definition of an EO.

Mr. Richard Storey
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Please direct inquiries to Chikako Takagi-Galamba, Supervisor or Cindie Lor, Lead Analyst at (916) 322-2985.

Sincerely,

A handwritten signature in cursive script that reads "Mark Hill".

MARK HILL
Program Budget Manager

cc: Mr. Frank Davies, Administrative Manager, Orange County Auditor Controller