



May 18, 2012

David J. Christian, Finance Director  
City of Yorba Linda  
P.O. Box 87014  
Yorba Linda, CA 92885

Dear Mr. Christian:

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the City of Yorba Linda (City) Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS) to the California Department of Finance (Finance) on May 7, 2012 for the period January through June 2012 and July through December 2012. 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 do not qualify as EOs:

January through June 2012 ROPS:

- Various items shown below in the total amount of \$2.6 million. Contracts were made between the City and the developers, and not between the Agency and the developers.

Line Item No.	Page	Project Name/Debt Obligation	Amount
8	1	Savi Ranch Wayfinding Signs	\$ 1,036,377
9	1	Savi Ranch Wayfinding Signs	128,603
23	1	Town Center Development	1,459,598
		Total	\$ 2,624,578

- Items 24 and 25 in the amount of \$23.7 million. There were no documents to show the Agency has established EOs for the following items:

Line Item No.	Page	Project Name/Debt Obligation	Amount
24	1	Town Center Development	\$ 7,889,080
25	1	Town Center Development	15,853,285
		Total	\$ 23,742,365

- Administrative cost exceeds allowance by \$382,310 of the \$770,941 claimed. HSC section 34171 (b) limits fiscal year 2011-12 administrative expenses to five percent of property tax allocated to the successor agency or \$250,000, whichever is greater. Five

percent of the property tax allocated is \$388,631. The following line items are considered administrative costs:

Line Item No.	Page	Project Name/Debt Obligation	Amount
16	1	Memorandum of Understanding	\$ 425,460
17	1	Legal	80,481
18	1	Audit	15,000
26	1	Daily Operations	81,300
27	1	Daily Operations	142,500
28	1	Administrative Overhead	26,200
		Total	\$ 770,941

July through December 2012 ROPS:

- Item 17 in the amount of \$86,664 – Housing Element to Low-Mod Housing Fund. No documents were provided to show this is an EO. In addition, the requirement to set aside 20 percent of RDA tax increment for low and moderate income housing purposes ended with the passing of the redevelopment dissolution legislation. HSC section 34177 (d) requires that all unencumbered balances in the Low and Moderate Income Housing Fund be remitted to the county auditor controller for distribution to the taxing entities.
- Item 18 in the amount of \$1.5 million. The contract was made between the City and Harris & Associates, and not between the Agency and Harris & Associates.
- Various items as shown below in the amount of \$23.8 million. There were no documents to show the Agency has established EOs for the following items:

Line Item No.	Page	Project Name/Debt Obligation	Amount
17	1	Housing Element	\$ 86,664
19	1	Town Center Development	7,889,080
20	1	Town Center Development	15,853,285
		Total	\$ 23,829,029

- Administrative cost exceeds allowance by \$386,854 of the \$636,854 claimed. HSC section 34171 (b) limits fiscal year 2012-13 administrative expenses to three percent of property tax allocated to the successor agency or \$250,000, whichever is greater. Three percent of the property tax allocated is \$189,946. Therefore, the administrative cost allowance is \$250,000.

Line Item No.	Page	Project Name/Debt Obligation	Amount
13	1	Memorandum of Understanding	\$ 433,254
14	1	Legal	75,000
21	1	Daily Operations	30,500
22	1	Daily Operations	73,000
23	1	Administrative Overhead	25,100

			Total	\$ 636,854
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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.

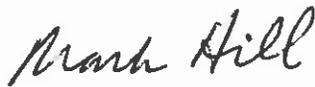
If you believe we have reached this conclusion in error, please provide further evidence that the items questioned above meet the definition of an EO and submit to the following email address:

[Redevelopment\\_Administration@dof.ca.gov](mailto:Redevelopment_Administration@dof.ca.gov)

Finance may continue to review items on the ROPS in addition to those mentioned above and identify additional issues. We will provide separate notice if we are requesting further modifications to the ROPS. It is our intent to provide an approval notice with regard to each ROPS prior to the June 1 property tax distribution date.

Please direct inquiries to Evelyn Suess, Supervisor or Michael Barr, Lead Analyst at (916) 322-2985.

Sincerely,



MARK HILL  
Program Budget Manager

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