



December 18, 2012

Mr. David Christian, Finance Director
City of Yorba Linda
4845 Casa Loma Avenue
Yorba Linda, CA 92886

Dear Mr. Christian:

Subject: Recognized Obligation Payment Schedule

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated September 28, 2012. 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 III) to the California Department of Finance (Finance) on August 14, 2012 for the period of January 1 through June 30, 2013. Finance issued its determination related to those enforceable obligations on September 28, 2012. 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 October 24, 2012.

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 items being disputed.

- Items Nos. 9 through 12 – Various contracts for Town Center Maintenance totaling \$16,410. Finance no longer objects to the items. Finance denied the items as enforceable obligations as the contracts are between the City of Yorba Linda and various third parties and not the former redevelopment agency (RDA). The Agency contends the items are enforceable obligations because the Town Center Maintenance contracts are for maintenance of former RDA assets. Finance agrees that maintenance costs of former RDA assets are enforceable obligations per HSC section 34171 (d) (1) (F) which states "contracts or agreements necessary for the administration or operation of the successor agency...including, but not limited to...the costs of maintaining assets prior to disposition." The Agency provided the maintenance contracts between the Agency and the contractors as well as the list of properties to be maintained prior to disposition. Therefore, the items are enforceable obligations.
- Items Nos. 19 and 20 – Savi Ranch Wayfinding Signs totaling \$1.16 million. Finance continues to deny the items. Finance denied the items as enforceable obligations as the contracts are between the City of Yorba Linda (City) and various third parties and not the former RDA. The Agency contends the items are enforceable obligations because the Savi Ranch Auto Center Design Review Manual adopted on February 21, 1989 established the general principle that auto center identification signs will be provided by the RDA to attract customers into the center. An intent that the RDA is expected to

participate in a project is not a commitment by the RDA. Furthermore, the Agency contends the items are enforceable obligations because the contracts were entered into with Young Electric Sign Company (YESCO) on June 7, 2011 and CivilSource on June 23, 2011 and budgeted as an RDA project in the Board minutes. Budgeting for an item in the future is not a commitment of funds. Additionally, a review of the combined City Council/RDA Board meeting agendas and minutes indicates that on June 7, 2011, the City Council approved the YESCO contract and not the RDA. The minutes also note that the City Council approved \$800,000 in RDA funds for the project, but the City Council has no authority to obligate RDA funds. Furthermore, a search of the combined City Council/RDA Board meeting agendas and minutes showed that there were no actions taken by the RDA Board to approve funding for any contract. Since the former RDA is not a party to the contracts nor responsible for payment of the contracts, these items are not enforceable obligations. Finally, given that the RDA ceased to have power to act as of June 28, 2011, there was no authority to adopt a resolution on November 20, 2012. As a result, the Resolution 2011-236 does not create an enforceable obligation.

- Item No. 21 – Harris & Associates contract for \$1.5 million of bond funding. Finance continues to deny this item. Finance denied the item as an enforceable obligation as HSC section 34163 (b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011, and the contract with Harris and Associates was signed on June 5, 2012. The Agency contends the item is an enforceable obligation because this was the last project they had envisioned and they had been acquiring the properties needed since 1975. However, bonds funds not contractually obligated prior to June 28, 2011 must be defeased or repurchased on the open market for cancellation. Per HSC section 34191.4 (c), successor agencies who have been issued a Finding of Completion by Finance are allowed to enter into enforceable obligations to use unencumbered proceeds from bonds issued prior to December 31, 2010 for the purposes for which the bonds were issued. Successor agencies are required to defease or repurchase on the open market for cancellation any bonds that cannot be used for the purpose they were issued or if they were issued after December 31, 2010. The bonds were issued on March 1, 2011. Therefore, this item is not an enforceable obligation.
- Items Nos. 25 through 39 – Pass through payments totaling \$3.9 million. Finance continues to deny the items at this time. Finance denied the items as enforceable obligations as HSC section 34182 (c) (3) directs the county auditor-controller to prepare estimates of amounts of property tax to be allocated and distributed, and the amounts of pass through payments to be made, in the upcoming six-month period. The Agency contends the items are enforceable obligations because these items were never placed on previous ROPS but were paid by the Agency with former RDA tax increment received between July 1, 2011 and January 31, 2012. Furthermore, the Agency did not receive a Redevelopment Property Tax Trust Fund (RPTTF) distribution on June 1, 2012 and no obligations were paid for the July 1, 2012 through December 31, 2012 period since no RPTTF was received. On future ROPS, the Agency should continue to list the specific enforceable obligations that were approved on prior ROPS and that have not been paid due to insufficient RPTTF distributions.
- Items Nos. 23 and 24 – Reclassification of attorney and audit services totaling \$95,481 as administrative costs. Finance continues to reclassify these items as administrative costs. The Agency contends the items are not administrative costs because they are related to winding down the affairs of the former RDA. Based on the contracts provided, the legal services are not associated with litigation expenses related to assets or

obligations and the audit services are not related to performing the Due Diligence Review. The services described in the contracts are general in nature and are therefore reclassified as administrative costs.

The Agency's maximum approved RPTTF distribution for the reporting period is: \$6,061,030 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2013	
Total RPTTF funding requested for obligations	\$ 11,021,270
Less: Six-month total for items denied or reclassified as administrative cost	
Item No. 19	1,036,377
Item No. 20	128,603
Item No. 23*	80,481
Item No. 24*	15,000
Item No. 25	162,242
Item No. 26	118,024
Item No. 27	152,689
Item No. 28	867,641
Item No. 29	14,426
Item No. 30	4,136
Item No. 31	704
Item No. 32	14,469
Item No. 33	47,887
Item No. 34	3,414
Item No. 35	191,456
Item No. 36	11,369
Item No. 37	275,000
Item No. 38	2,032,725
Item No. 39	27,678
Total approved RPTTF for enforceable obligations	\$ 5,836,949
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	224,081
Total RPTTF approved:	\$ 6,061,030

* Reclassified as an administrative cost.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS III form the estimated obligations and actual payments associated with the January through June 2012 period. The amount of RPTTF approved in the above table will be adjusted by the county auditor-controller to account for differences between actual payments and past estimated obligations. Additionally, these estimates and accounts are subject to audit by the county auditor-controller and the State Controller.

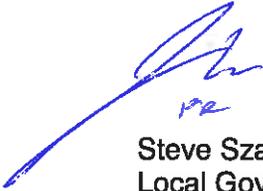
The amount available from the RPTTF is the same as the property tax increment that was available prior to enactment of ABx1 26 and AB 1484. This amount is not and never was an unlimited funding source. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax is limited to the amount of funding available to the successor agency in the RPTTF.

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Except for items disallowed as noted above, Finance is not objecting to the remaining items listed in your ROPS III. Obligations deemed not to be enforceable shall be removed from your ROPS. This is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2013. 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 questioned on this ROPS or a preceding ROPS.

Please direct inquiries to Evelyn Suess, Dispute Resolution Supervisor, or Mary Halterman, Analyst, at (916) 445-1546.

Sincerely,



Steve Szalay
Local Government Consultant

cc: Ms. Pamela Stoker, Redevelopment & Housing Manager, City of Yorba Linda
Mr. Frank Davies, Administrative Manager, Orange County Auditor-Controller
California State Controller's Office