

July 6, 2012

Lisa L. Kim, Senior Project Manager City of Orange Economic Development Department 230 E. Chapman Avenue Orange, CA 92866

Dear Ms. Kim:

Subject: Recognized Obligation Payment Schedule Final Determination Letter

Pursuant to Health and Safety Code (HSC) section 34177 (I) (2) (C), the City of Orange Successor Agency (Agency) submitted revised Recognized Obligation Payment Schedules (ROPS) to the California Department of Finance (Finance) on June 4, 2012 for the period January through June 2012 and April 13, 2012 for the period July through December 2012. Finance is assuming appropriate oversight board approval. Finance has completed its review of your ROPS, which may have included obtaining clarification for various items.

The Agency submitted letters dated June 4, 5 and 6, 2012 in response to Finance's letters dated April 27, 2012 and May 25, 2012.

Based on additional documentation provided by the Agency, third party contracts were entered into prior to June 28, 2011 for the following items, and therefore these items are considered enforceable obligations:

January through June 2012 ROPS

- Item No. 27 Children's Hospital of Orange County (CHOC), Acquisition of Public Improvements for \$1.3 million. The agreement between the Agency and CHOCO Realty Corporation was signed on December 28, 2010.
- Item No. 31 The Outlets at Orange, Construction of Public Roadway (reconfiguration of parking structures) for \$4.8 million. Contract was signed on June 15, 2010 between the Agency and Orange City Mills Limited Partners. The third party contract between Orange City Mills Limited Partnership and Adam Mallory Construction was signed on September 7, 2010.
- Item No. 56 Tustin/Chapman Street Widening for \$17,469. The third party contract between the City of Orange and Sialic Contractors was signed on April 15, 2011.
- Item No. 57 Tustin/Meats Street Widening for \$658,706. Third party contract between the City of Orange and PALP, Inc. (Excel Paving Company) was signed on February 14, 2011.

- Item No. 58 Main Street Widening for \$1.5 million. Third party contract between the City of Orange and California Professional Engineering was signed on February 14, 2011.
- Item No. 59 Old Towne Street Light Replacement for \$28,972. Third party contract between the City of Orange and the California Professional Engineering, Inc. was signed on September 15, 2010.

However, the following items still do not qualify as enforceable obligations (EO):

January through June 2012 ROPS

- Although the outstanding obligation amount is zero, the following non-EO items were not removed from ROPS:
 - o Item Nos. 26, 61, 62, and 64 (see below for details)
- Item No. 26 Tax Increment Administration Fee to County of Orange. The Agency's response did not address the questioned item.
- Item No. 97 Serrano Woods: Property acquisition and construction costs in the amount
 of \$7.1 million. HSC section 34163 (b) states that an agency shall not enter into
 contracts or make commitments to, any entity, but not limited to, loan agreements.
 While the statement of intent to issue a loan was executed on March 9, 2011, the actual
 loan agreement was entered into November 8, 2011. Because there was no loan or
 contract in place prior to June 28, 2011, this item is not an EO.
- The following projects are funded with bond proceeds; however, the items are not listed in the bond indenture and no valid contract was entered into prior to June 28, 2011:
 - o Item No. 36 North Orange Parking Lot Acquisition for \$2.3 million.
 - o Item No. 37 North Olive Parking Lot Acquisition for \$1.8 million.
 - Item No. 38 West Chapman Parking Lot Acquisition for \$8.6 million.
 - o Item No. 61 Old Towne Street Lighting.
 - o Item No. 62 Fire Station Headquarters.
 - o Item No. 63 Metrolink Parking Structure for \$5.5 million.
 - o Item No. 64 City Infrastructure Projects.

Although there are no dollar amounts associated with item numbers 61, 62, and 64 above, they do not meet the definition of an EO and therefore, expenditures listed on future ROPS associated with these items are not authorized.

- Items No. 73 and 73a Project Management for Metrolink Parking Structure (Item No. 63) in the amount of \$129,445. Item No. 63 is not an EO. Therefore, these related items are still not an EO.
- Items No. 74 and 74a Design services for Metrolink Parking Structure (Item No. 63) in the amount of \$1.9 million. Item No. 63 is not an EO, and therefore these related items are still not an EO.

July through December 2012 ROPS

- Item No. 28 Tax Increment Administration Fee to County of Orange for \$6.9 million.
 The Agency's response did not address the questioned amount.
- The following projects are funded with bond proceeds; however, the items are not listed in the bond indenture and no valid contract was entered into prior to June 28, 2011:
 - o Item No. 34 North Orange Parking Lot Acquisition for \$2.1 million.
 - o Item No. 35 North Olive Parking Lot Acquisition for \$1.6 million.
 - o Item No. 36 West Chapman Parking Lot Acquisition for \$7.6 million.
 - o Item No. 48 Old Towne Street Lighting in the amount of \$1.5 million.
 - o Item No. 49 Fire Station Headquarters in the amount of \$10.5 million.
 - o Item No. 50 Metrolink Parking Structure in the amount of \$5.5 million.
 - o Item No. 52 City Infrastructure Projects in the amount of \$5.6 million.
- Items No. 57 Project Management for Metrolink Parking Structure (Item No. 50) in the amount of \$129,445. Item No. 50 is not an EO. Therefore, this related item is still not an EO.
- Items No. 58 Design services for Metrolink Parking Structure (Item No. 50) in the amount of \$1.9 million. Item No. 50 is not an EO, and therefore this item related is still not an EO.

Except for items disallowed in whole or in part as enforceable obligations noted in Finance's letters dated April 27, 2012 and May 25, 2012, as modified above, Finance has approved the remaining items listed in your ROPS. Since the Redevelopment Property Tax Trust Fund (RPTTF) June 1, 2012 property tax distribution has already occurred, the obligations approved above are payable from available and appropriate funding sources other than RPTTF.

This is our final determination with respect to the ROPS items above. Items not questioned during this review are subject to a subsequent review, if they are included on a future ROPS. If an item included on a future ROPS is not an enforceable obligation, Finance reserves the right to remove that item from the future ROPS, even if it was not removed from the preceding ROPS.

Please direct inquiries to Chikako Takagi-Galamba, Supervisor or Wendy Griffe, Lead Analyst at (916) 322-2985.

Sincerely,

KRISTIN SHELTON

Program Budget Manager

cc: Mr. John Sibley, Executive Director, City of Orange Successor Agency

Mr. Rick Otto, Assistant Executive Director, City of Orange Successor Agency

Mr. Frank Davies, Orange County Auditor Controller, Orange County Development Agency