



CITY of CYPRESS

5275 Orange Avenue, Cypress, California 90630

Phone 714-229-6700 www.ci.cypress.ca.us

June 27, 2012

The Honorable Thomas J. Borris
Presiding Judge of the Superior Court
700 Civic Center Drive West
Santa Ana, CA 92701

Subject: Response to Grand Jury Report- "The Dissolution of
Redevelopment: Where Have We Been? What Lies Ahead?"

Dear Judge Borris:

In accordance with the California Penal Code, Section 933 and 933.05, the City of Cypress is submitting this response to the Grand Jury Report "The Dissolution of Redevelopment: Where Have We Been? What Lies Ahead?" As stipulated in the statute, the responses are provided for each finding and recommendation with statements of agreement or disagreement either wholly or partially and the corresponding reasons for each.

Per the requirements and instructions, the City of Cypress is responding to Findings (F.1 through F.3) and Recommendations (R.1, R.2, R.4 and R.5).

Responses to Grand Jury Findings:

F.1 As of the date of dissolution of redevelopment (February 1, 2012), all city operated redevelopment agencies, except Mission Viejo and Seal Beach, were exceeding the administrative costs limit of 5% of the tax increment distributed related to the ROPS as authorized by ABX1 26.

Response: The City of Cypress agrees in part with this finding. We cannot verify other agencies' administration costs as a percent of tax increment. In regards to the City of Cypress, the report indicates that the City is at 8%. While we don't know where this figure comes from or what is included, it should be noted that the Cypress Redevelopment Agency and Successor Agency submitted a ROPS higher than the DOF has approved

Leroy Mills, Mayor

Todd W. Seymore, Mayor Pro Tem

Doug Bailey, Council Member

Phil Luebben, Council Member

Prakash Narain, M.D., Council Member

that could cause the percentage to be higher than compared to the initial EOPS. However the State will only pay the amount under the 5% or \$250,000 and the City and Successor Agency will follow the law.

F.2 Of the agencies surveyed, only Costa Mesa and Santa Ana reported having a citizen involvement committee along the the line of a Project Area Committee as authorized by Section 33385 of the Health and safety Code.

Response: The City of Cypress agrees in part with this finding. We do not know the status of other Redevelopment Agencies and having citizen involvement committees. In regards to the City of Cypress, when the project areas were established and when specific plans were established in these project areas, there were citizen involvement committees used for input. However, the City does not maintain an on-going committee subsequent to the plans being approved.

F.3 Historically, external oversight over redevelopment has been missing or ineffective in monitoring redevelopment agency compliance and performance. The newly formed oversight boards offer a potential to improve on that record by providing critical evaluation of existing projects and management of the successor agency debt.

Response: The City of Cypress disagrees partially with this finding, as far as it applies to the City of Cypress, since we cannot answer for other Redevelopment Agencies. We do not agree that external oversight has been missing or ineffective in monitoring redevelopment compliance and performance. As noted in the Grand Jury report, the State Controller and Department of Finance monitor expenditures and in addition, the Agency prepared annual reports brought before the City Council and public every year on what projects were going on, been completed and the results of redevelopment within the City. There has always been complete transparency by the Agency on its finances and project status.

Responses to Grand Jury Recommendations:

R.1: All successor agencies should review administrative costs to ensure compliance with the limit of five percent of the tax-increment or less as required by ABX1 26 and develop a plan to reduce these costs to three percent of the tax increment received or less in 2012-

2013. If these percentages fall below \$250,000, the agencies are allowed to claim the higher amount. (see F1)

Response: This recommendation has been implemented by the City of Cypress. The City of Cypress and Successor Agency will only be reimbursed based on the limit. At this time, the Successor Agency submitted ROPS reflecting administrative costs below the \$250,000 minimum.

R.2 Successor agencies and oversight boards should review the Recognized Obligations Payment Schedule with a view toward limiting the range of projects and obligations thereby retiring the enforceable obligation debt as quickly as possible. (see F3)

Response: This recommendation has been implemented by the City of Cypress. The City of Cypress and both the Successor Agency and Oversight Board have reviewed the ROPS and determined what obligations are appropriate and established a reasonable payment schedule to retire the debt and still provide residual payments to other taxing agencies.

R.4 Successor agencies and oversight boards should critically review the Recognized Obligations Payment Schedule (ROPS) to evaluate the need for debt owed to the city. (See F8)

Response: This recommendation has been implemented by the City of Cypress. The City of Cypress and both the Successor Agency and Oversight Board have reviewed and approved the debt owed the City on the ROPS.

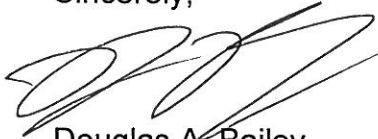
R.5 Successor agencies and oversight boards should critically review the Recognized Obligations Payment Schedule (ROPS) to evaluate the need for incentive payments to commercial entities. (See F9)

Response: The recommendation will not be implemented because the Successor Agency does not have any incentive payments to commercial entities.

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If you have any questions regarding the responses provided in this letter, please contact Mr. Richard Storey, Assistant City Manager, at (714) 229-6709 or via e-mail at rstorey@ci.cypress.ca.us.

Sincerely,



Douglas A. Bailey
Mayor
City of Cypress

cc: City Council
John Bahorski, City Manager
Roy B. Baker III, Foreman, Orange County Grand Jury, 700 Civic Center
Drive West, Santa Ana, CA 92701