



CITY OF YORBA LINDA

P.O. BOX 87014

CALIFORNIA 92885-8714

September 18, 2012

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

RE: Response to the Orange County Grand Jury report – *“The Dissolution of Redevelopment: Where Have We Been? What Lies Ahead?”*

Judge Borris:

The City of Yorba Linda has reviewed the Orange County Grand Jury report titled *“The Dissolution of Redevelopment: Where Have We Been? What Lies Ahead?”* and has formulated a response to each of the required findings and recommendations as outlined on pages 26 – 28 of the report in compliance with Penal Code Sections 933 and 933.05.

Although the Grand Jury Report contains 10 findings and 6 recommendations, the City of Yorba Linda is only required to respond to Findings F1, F2 & F3, and Recommendations R1, R2, R4 & R5 as outlined in the response matrices on pages 30 & 31.

Finding F1

“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.”

City’s Response

The City of Yorba Linda disagrees wholly with this finding.

First of all, there was no administrative cost limit for redevelopment agencies prior to dissolution on February 1, 2012, so as of that date there was nothing to exceed. Second, the way we interpret ABx1 26 with regards to administrative cost allowance limits, is that 5% (but not less than \$250,000) is the maximum amount a Successor Agency will receive to cover administrative costs as opposed to a limit on the amount of administrative costs a Successor Agency can incur.

Even so, the costs reported on Yorba Linda’s Recognized Obligation Payment Schedule (ROPS) for the period of January to June, 2012 related to the administrative cost allowance were \$250,000 or 3.6% of all costs listed on the ROPS.

Finding F2

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

City’s Response

The City of Yorba Linda cannot agree or disagree with this statement as we have no way of verifying this information. However, this finding seems to infer that somehow Yorba Linda was deficient because we failed to have a citizen involvement committee along the line of a Project Area Committee. We would like to point out that this was not a requirement of redevelopment law and in no way was Yorba Linda lacking in citizen involvement.

Finding F3

“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.”

City’s Response

The City of Yorba Linda disagrees wholly with this finding.

All business of the former Yorba Linda Redevelopment Agency was conducted in open, public meetings with citizen involvement. In addition, annual financial reports were always filed in a timely manner with the State Controller’s Office and the County Auditor-Controller. Annual audits were performed by independent auditors and submitted to State and County officials as well as being available to the public.

Also, while the formation of oversight boards was intended to provide *additional* oversight, AB 1484, which was recently adopted by the State Legislature, actually reduced the role and authority of oversight boards.

Lastly, any debt the oversight boards are to manage would be debt of the former redevelopment agency and not of the successor agency itself.

Recommendation R1

“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)”

City’s Response

The recommendation has been implemented.

As described above in our response to Finding F1, Yorba Linda does not feel ABx1 26 calls for a limit on administrative costs incurred, but rather a limit on the amount of administrative costs to be recovered through the ROPS. However, Yorba Linda has submitted ROPS which include administrative costs within the limits.

Recommendation R2

“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)”

City’s Response

The recommendation will not be implemented because it is not warranted or is not reasonable.

Successor agencies and oversight boards have legal responsibilities under ABx1 26 and AB 1484 to pay all enforceable obligations of the former redevelopment agency. Limiting the range of projects and obligations in order to retire the enforceable obligation debt as quickly as possible is not part of the duties and responsibilities of the successor agency or oversight board as spelled out in Health and Safety Code Sections 34177 and 34179-34181, respectively.

Recommendation R4

“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)”

City’s Response

The recommendation will not be implemented because it is not warranted or is not reasonable.

It should be noted that Yorba Linda was not required to respond to Finding F8 as referred to in R4. There is no debt owed to the City of Yorba Linda on the ROPS.

Recommendation R5

“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)”

City’s Response

The recommendation will not be implemented because it is not warranted or is not reasonable.

It should be noted that Yorba Linda was not required to respond to Finding F9 as referred to in R5. There are no incentive payments to commercial entities on the ROPS.

Should you have any questions or require any further information from the City of Yorba Linda, please feel free to contact our Finance Director, David Christian at (714)961-7141 or dchristian@yorbalinda.org.

Sincerely,


Mark Schwing
Mayor of Yorba Linda

Cc: Orange County Grand Jury