

**SUCCESSOR AGENCY TO THE LAKE FOREST REDEVELOPMENT AGENCY**

Independent Accountants' Report on Applying Agreed-Upon Procedures  
On the Lake Forest Redevelopment Agency's

And

The Successor Agency to the Lake Forest Redevelopment Agency's  
All Other Funds

Pursuant to California Health and Safety Code Section 34179.5

**SUCCESSOR AGENCY TO THE LAKE FOREST REDEVELOPMENT AGENCY  
AGREED-UPON PROCEDURES RELATED TO ALL OTHER FUNDS**

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**Independent Accountants' Report on Applying  
Agreed-Upon Procedures Related to All Other Funds**

Oversight Board of the Successor Agency  
to the Lake Forest Redevelopment Agency  
Lake Forest, California

We have performed the minimum required agreed-upon procedures (AUP) enumerated in Attachment A, which were agreed to by the California Department of Finance, the California State Controller's Office, the Orange County Auditor-Controller, and the Successor Agency to the Lake Forest Redevelopment Agency (Successor Agency), (collectively, the Specified Parties), solely to assist you in meeting the statutory requirements of Health and Safety Code Section 34179.5 related to all other funds except for the Low and Moderate Income Housing Fund (All Other Funds) of the former Lake Forest Redevelopment Agency and the Successor Agency. Management of the Successor Agency is responsible for meeting the statutory requirements of Health and Safety Code Section 34179.5 related to All Other Funds. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested or for any other purpose.

The scope of this engagement was limited to performing the agreed-upon procedures as set forth in Attachment A. Attachment A also identifies the findings noted as a result of the procedures performed.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on whether the Successor Agency has met the statutory requirements of Health and Safety Code Section 34179.5 related to All Other Funds. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Oversight Board and management of the Successor Agency to the Lake Forest Redevelopment Agency, the California Department of Finance, the California State Controller's Office, and the Orange County Auditor-Controller, and is not intended to be, and should not be, used by anyone other than these specified parties.

*White Nelson Diehl Evans LLP*

Irvine, California  
December 17, 2012

SUCCESSOR AGENCY TO THE LAKE FOREST REDEVELOPMENT AGENCY

ATTACHMENT A - AGREED-UPON PROCEDURES AND FINDINGS  
RELATED TO ALL OTHER FUNDS

1. **Procedure:**

Obtain from the Successor Agency a listing of all assets that were transferred from All Other Funds of the former redevelopment agency to the Successor Agency on February 1, 2012. Agree the amounts on this listing to account balances established in the accounting records of the Successor Agency. Identify in the Agreed-Upon Procedures (AUP) report the amount of the assets transferred to the Successor Agency as of that date.

**Finding:**

We agreed the amounts listed on Schedule 1 to the Successor Agency's accounting records without exceptions. The former redevelopment agency transferred \$2,266,192 in assets from All Other Funds to the Successor Agency as detailed in Schedule 1.

2A. **Procedure:**

Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) from All Other Funds of the former redevelopment agency to the city that formed the redevelopment agency for the period from January 1, 2011 through January 31, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.

**Finding:**

Transfers from All Other Funds of the former redevelopment agency to the City of Lake Forest for the period January 1, 2011 through January 31, 2012 are shown in Schedule 2.

2B. **Procedure:**

Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) from All Other Funds of the Successor Agency to the city that formed the redevelopment agency for the period from February 1, 2012 through June 30, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.

**Finding:**

This procedure is not applicable as the Successor Agency did not make any transfers to the City of Lake Forest from All Other Funds during the period from February 1, 2012 through June 30, 2012.

SUCCESSOR AGENCY TO THE LAKE FOREST REDEVELOPMENT AGENCY

ATTACHMENT A - AGREED-UPON PROCEDURES AND FINDINGS  
RELATED TO ALL OTHER FUNDS

2C. **Procedure:**

For each transfer, obtain the legal document that formed the basis for the enforceable obligation that required the transfer. Note in the AUP report the absence of any such legal document or the absence of language in the document that required the transfer.

**Finding:**

Schedule 2 shows the details for the enforceable obligation or other legal requirement supporting the transfers. The former Redevelopment Agency advanced \$3,224,000 to the City of Lake Forest for capital projects for which there was no enforceable obligation as of June 27, 2011. Also, the former Redevelopment Agency transferred \$1,138,143 to the City of Lake Forest as repayment of a note payable. The June 1997 agreement for \$782,862 of the loan payable to the City of Lake Forest was entered into within two years of the Redevelopment Agency's establishment. The amount transferred in excess of the June 1997 loan agreement of \$355,281 represents loans created after two years from the creation of the Redevelopment Agency, which is not considered an enforceable obligation per Health and Safety Code Section 34171(g)(2). The capital project advance of \$3,224,000 and repayment of the loan in excess of the amount approved within two years of the Redevelopment Agency's creation of \$355,281 total \$3,579,281 and have been added back on Schedule 7 as an amount available for allocation to affected taxing agencies.

3A. **Procedure:**

Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) from All Other Funds of the former redevelopment agency to any other public agency or to private parties for the period from January 1, 2011 through January 31, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.

**Finding:**

This procedure is not applicable as the former redevelopment agency did not make any transfers to other public agencies or private parties from All Other Funds during the period from January 1, 2011 through January 31, 2012.

3B. **Procedure:**

Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) from All Other Funds of the Successor Agency to any other public agency or to private parties for the period from February 1, 2012 through June 30, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and described in what sense the transfer was required by one of the Agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.

SUCCESSOR AGENCY TO THE LAKE FOREST REDEVELOPMENT AGENCY

ATTACHMENT A - AGREED-UPON PROCEDURES AND FINDINGS  
RELATED TO ALL OTHER FUNDS

3B. **Finding:**

This procedure is not applicable as the Successor Agency did not make any transfers to other public agencies or private parties from All Other Funds during the period from February 1, 2012 through June 30, 2012.

3C. **Procedure:**

For each transfer, obtain the legal document that formed the basis for the enforceable obligation that required the transfer. Note in the AUP report the absence of any such legal document or the absence of language in the document that required the transfer.

**Finding:**

This procedure is not applicable since no transfers were identified as a result of Procedures 3A and 3B.

4. **Procedure:**

Obtain from the Successor Agency a summary of the financial transactions of the Redevelopment Agency and the Successor Agency for the fiscal periods ended June 30, 2010, June 30, 2011, January 31, 2012 and June 30, 2012. Ascertain that for each period presented, the total of revenues, expenditures and transfers account fully for the changes in equity from the previous fiscal period. Compare amounts for the fiscal period ended June 30, 2010 to the state controller's report filed for the Redevelopment Agency for that period. Compare the amounts for the other fiscal periods presented to the account balances in the accounting records or other supporting schedules.

**Finding:**

A reconciliation of the financial transactions of the Redevelopment Agency and the Successor Agency for the fiscal periods ended June 30, 2010, June 30, 2011, January 31, 2012 and June 30, 2012 is presented in Schedule 3.

5. **Procedure:**

Obtain from the Successor Agency a listing of all assets from All Other Funds as of June 30, 2012. Agree the assets on the listing to the accounting records of the Successor Agency.

**Finding:**

As of June 30, 2012, the Successor Agency's total assets related to All Other Funds of the former redevelopment agency amounted to \$3,866,455 as shown in Schedule 4.

SUCCESSOR AGENCY TO THE LAKE FOREST REDEVELOPMENT AGENCY

ATTACHMENT A - AGREED-UPON PROCEDURES AND FINDINGS  
RELATED TO ALL OTHER FUNDS

6. **Procedure:**

Obtain from the Successor Agency a listing of asset balances related to All Other Funds of the former redevelopment agency on June 30, 2012 that were restricted for the following purposes:

- unspent bond proceeds,
- grant proceeds and program income restricted by third parties, and
- other assets with legal restrictions.

6A. **Procedure - Unspent Bond Proceeds:**

Obtain the Successor Agency's computation of the restricted balances and trace individual components of this computation to related account balances in the accounting records, or to other supporting documentation. Obtain the legal document that sets forth the restriction pertaining to these balances.

**Finding:**

This procedure is not applicable as the Successor Agency's assets related to All Other Funds of the former redevelopment agency did not have unspent bond proceeds as of June 30, 2012.

6B. **Procedure - Grant Proceeds and Program Income Restricted by Third Parties:**

Obtain the Successor Agency's computation of the restricted balances and trace individual components of this computation to related account balances in the accounting records, or to other supporting documentation. Obtain a copy of the grant agreement that sets forth the restriction pertaining to these balances.

**Finding:**

This procedure is not applicable as the Successor Agency's assets related to All Other Funds of the former redevelopment agency did not have grant proceeds and program income restricted by third parties as of June 30, 2012.

6C. **Procedure - Other Assets Considered to be Legally Restricted:**

Obtain the Successor Agency's computation of the restricted balances and trace individual components of this computation to related account balances in the accounting records or other supporting documentation. We obtained the legal document that sets forth the restriction pertaining to these balances.

**Finding:**

This procedure is not applicable as the Successor Agency's assets related to All Other Funds of the former redevelopment agency did not have other assets considered to be legally restricted as of June 30, 2012.

SUCCESSOR AGENCY TO THE LAKE FOREST REDEVELOPMENT AGENCY

ATTACHMENT A - AGREED-UPON PROCEDURES AND FINDINGS  
RELATED TO ALL OTHER FUNDS

7. **Procedure:**

Obtain from the Successor Agency a listing of assets of All Other Funds of the former redevelopment agency as of June 30, 2012 that are not liquid or otherwise available for distribution and ascertain if the values are listed at either purchase cost or market value as recently estimated by the Successor Agency. For assets listed at purchased cost, trace the amount to a previously audited financial statement or other accounting records of the Successor Agency and note any differences. For any differences noted, inspect evidence of asset disposal subsequent to January 31, 2012 and ascertain that the proceeds were deposited into the Successor Agency's trust fund. For assets listed at recently estimated market value, inspect evidence supporting the value and note the methodology used.

**Finding:**

This procedure is not applicable as All Other Funds of the former redevelopment agency did not have any assets that were not liquid or otherwise available for distribution as of June 30, 2012.

8A. **Procedure:**

If the Successor Agency identified that existing asset balances were needed to be retained to satisfy enforceable obligations, obtain an itemized schedule of asset balances (resources) as of June 30, 2012 that were dedicated or restricted for the funding of enforceable obligations. Compare the information on the schedule to the legal documents that formed the basis for the dedication or restriction of the resource balance in question. Compare all current balances which needed to be retained to satisfy enforceable obligations to the amounts reported in the accounting records of the Successor Agency or to an alternative computation. Compare the specified enforceable obligations to those that were included in the final Recognized Obligation Payment Schedule (ROPS) approved by the California Department of Finance. If applicable, identify any listed balances for which the Successor Agency was unable to provide appropriate restricting language in the legal document associated with the enforceable obligation.

**Finding:**

As of June 30, 2012, the Successor Agency's asset balances to be retained in order to satisfy enforceable obligations amounted to \$116,124 as detailed in Schedule 5. These enforceable obligations were reported on ROPS 1.



SUCCESSOR AGENCY TO THE LAKE FOREST REDEVELOPMENT AGENCY

ATTACHMENT A - AGREED-UPON PROCEDURES AND FINDINGS  
RELATED TO ALL OTHER FUNDS

**8B. Procedure:**

If the Successor Agency identified that future revenues together with balances dedicated or restricted to an enforceable obligation are insufficient to fund future obligation payments and thus retention of current balances is required, obtain from the Successor Agency a schedule of approved enforceable obligations that include a projection of the annual spending requirements to satisfy each obligation and a projection of the annual revenues available to fund those requirements. Compare the enforceable obligations to those that were approved by the California Department of Finance for the six month period from January 1, 2012 through June 30, 2012 and for the six month period July 1, 2012 through December 31, 2012. Compare the forecasted annual spending requirements to the legal document supporting the enforceable obligation and obtain the Successor Agency's assumptions relating to the forecasted annual spending requirements. Obtain the Successor Agency's assumptions for the forecasted annual revenues. Disclose the major assumptions for the forecasted annual spending requirements and the forecasted annual revenues in this AUP report.

**Finding:**

This procedure is not applicable as the Successor Agency did not identify any assets to be retained under this procedure.

**8C. Procedure:**

If the Successor Agency identified that projected property tax revenues and other general purpose revenues to be received by the Successor Agency are insufficient to pay bond debt service payments (considering both the timing and amount of the related cash flows), obtain a schedule demonstrating this insufficiency. Compare the timing and amounts of bond debt service payments to the related bond debt service schedules in the bond agreement. Obtain the assumptions for the forecasted property tax revenues and other general purpose revenues and disclose them in this AUP report.

**Finding:**

This procedure is not applicable as the Successor Agency did not identify any assets to be retained under this procedure.

**8D. Procedure:**

If Procedures 8A, 8B and 8C were performed, calculate the amount of unrestricted balances necessary for retention in order to meet enforceable obligations. Combine the amount identified as currently restricted balances and the forecasted annual revenues to arrive at the amount of total resources available to fund enforceable obligations. Reduce the total resources available by the amount of forecasted annual spending requirements. Include the calculation in this AUP report.

SUCCESSOR AGENCY TO THE LAKE FOREST REDEVELOPMENT AGENCY

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RELATED TO ALL OTHER FUNDS

8D. **Finding:**

The unrestricted balances necessary for retention to meet enforceable obligations are detailed in Schedule 5. The Successor Agency does not expect any revenues to pay for these enforceable obligations.

9. **Procedure:**

If the Successor Agency identified that cash balances as of June 30, 2012 need to be retained to satisfy obligations on the Recognized Obligation Payment Schedule (ROPS) for the period of July 1, 2012 through June 30, 2013, obtain a copy of the final ROPS for the period of July 1, 2012 through December 31, 2012 and a copy of the final ROPS for the period January 1, 2013 through June 30, 2013. For each obligation listed on the ROPS, the Successor Agency should identify (a) any dollar amount of existing cash that was needed to satisfy the obligation, and (b) the Successor Agency's explanation as to why the Successor Agency believes that such balances were needed to satisfy the obligation. Include this schedule as an attachment to this AUP report.

**Finding:**

The Successor Agency has identified \$701,234 in cash balances to be retained to satisfy obligations on the Recognized Obligation Payment Schedule (ROPS) for the period of July 1, 2012 to December 31, 2012 as shown in Schedule 6.

10. **Procedure:**

Present a schedule detailing the computation of the Balance Available for Allocation to Affected Taxing Agencies. Amounts included in the calculation should agree to the results of the procedures performed above. Agree any deductions for amounts already paid to the County Auditor-Controller on July 12, 2012 as directed by the California Department of Finance to evidence of payment.

**Finding:**

The computation of the Balance Available for Allocation to Affected Taxing Agencies shows that the Successor Agency has a balance of \$6,628,378 available to be remitted to the County for disbursement to affected taxing agencies as shown in Schedule 7.

SUCCESSOR AGENCY TO THE LAKE FOREST REDEVELOPMENT AGENCY

ATTACHMENT A - AGREED-UPON PROCEDURES AND FINDINGS  
RELATED TO ALL OTHER FUNDS

11. **Procedure:**

Obtain a representation letter from management of the Successor Agency acknowledging their responsibility for the data provided and the data presented in the report or in any schedules or exhibits to the report. Included in the representations is an acknowledgment that management is not aware of any transfers (as defined by Section 34179.5) from either the former redevelopment agency or the Successor Agency to other parties for the period from January 1, 2011 through June 30, 2012 that have not been properly identified in this AUP report and its related schedules or exhibits. Management's refusal to sign the representation letter should be noted in the AUP report as required by attestation standards.

**Finding:**

No exceptions were noted as a result of this Procedure.

SUCCESSOR AGENCY TO THE LAKE FOREST REDEVELOPMENT AGENCY  
AGREED-UPON PROCEDURES RELATED TO ALL OTHER FUNDS

LISTING OF ASSETS TRANSFERRED TO SUCCESSOR AGENCY

As of February 1, 2012

		Total Assets as of <u>February 1, 2012</u>
Cash and investments	ASSETS	<u>\$ 2,266,192</u>

SUCCESSOR AGENCY TO THE LAKE FOREST REDEVELOPMENT AGENCY  
 AGREED-UPON PROCEDURES RELATED TO ALL OTHER FUNDS

TRANSFERS TO THE CITY OF LAKE FOREST

FOR THE PERIOD JANUARY 1, 2011 THROUGH JANUARY 31, 2012:

Date of Transfer	Description of Transfer	Purpose of Transfer	Amount	Enforceable Obligation/Other Legal Requirement Supporting Transfer
2/1/2011	Transfer of funds to the City of Lake Forest for construction of Phase I of the capital projects occurring in the project area.	Transfer of funds for prepayment of expenses for capital projects benefitting the project area.	\$ 3,224,000 (A)	<p>Pursuant to a funding commitment noted in the Agency's most recently adopted Five-Year Implementation Plan to use Agency funding for three streetscape/traffic calming projects and an enhanced lighting project located in the El Toro Redevelopment Project Area. Design contracts for the projects were executed in Fiscal Years 2008-09 and 2009-10. An appropriation for partial Agency funding (\$900,000) was included in the Fiscal Year 2009-11 Capital Improvement Projects Budget and a supplemental appropriation for the balance of the required Agency funding was approved by resolution of the City Council and Agency Board on February 1, 2011. The appropriations were made pursuant to City Council and Agency Board resolutions making the findings required under Health and Safety Code Section 33445. Agency funding for one of the four projects was noted in a third-party federal grant application approved before AB IX 26 was enacted.</p> <p>As of June 30, 2012, not all funds transferred were utilized for the streetscape/traffic calming projects and total project costs are lower than anticipated. Therefore, there is an expected surplus of funds transferred.</p> <p>As of June 27, 2011, there was no enforceable obligation. This amount has been added back to Schedule 7.</p>
2/1/2011	Transfer of funds to the City of Lake Forest as payment for advance from the City.	Transfer of funds to repay advance from the City of Lake Forest.	1,138,143 (A)	<p>Repayment of a Promissory Note in favor of the City of Lake Forest, first approved by resolution of the Lake Forest Redevelopment Agency Board and Lake Forest City Council on July 16, 1996 (see Exhibit #3) in the amount of \$855,700. The Lake Forest Redevelopment Agency was activated on September 5, 1995. On June 17th, 1997, the last resolution was approved that is within two years of the Agency's establishment and the Governing Board authorized a loan between the Agency and the City of Lake Forest totaling \$782,862 (See Exhibit #3). The principal amount of the Promissory Note was renewed and increased, if necessary, annually until it was paid in the amount of \$1,138,143 on February 1, 2011. The actual loan balance as of the June 17, 1997 resolution was \$259,988; however, the Redevelopment Agency Board authorized a loan amount of \$782,862. In Fiscal Year 2002-03, \$242,836 of the loan was forgiven. The amount forgiven relates to increases in the loan subsequent to the June 1997 established advance of \$782,862. There were no additional repayments until the transfer reported in this schedule on February 1, 2011.</p> <p>The 1997 agreement for the advance payable to the City of Lake Forest in the amount of \$782,862 was approved within two years of the creation of the Redevelopment Agency. The transferred amount of \$1,138,143 exceeded the loan balance remaining from the 1997 Promissory Note of \$782,862 by \$355,281. This amount has been added back to Schedule 7.</p>
3/15/2011	Transfer of real property to the City of Lake Forest as asset was intended to be a low and moderate housing asset, but was paid with other former Redevelopment funds.	Transfer of real property to the City of Lake Forest.	7,168	<p>Cooperation Agreement between the Lake Forest Housing Authority, the Lake Forest Redevelopment Agency and the City of Lake Forest. The transfer of the property by the Agency to the Housing Authority allows the development of Low and Moderate Income Housing consistent with California Community Redevelopment Law. See Exhibits 1 and 2.</p>

SUCCESSOR AGENCY TO THE LAKE FOREST REDEVELOPMENT AGENCY  
 AGREED-UPON PROCEDURES RELATED TO ALL OTHER FUNDS

TRANSFERS TO THE CITY OF LAKE FOREST

NOTE:

(A) Amounts added back to Schedule 7 as available for distribution to affected taxing entities:

Transfer of funds to the City of Lake Forest for projects benefitting the project area	\$ 3,224,000
Transfer of funds to repay advance from the City of Lake Forest	1,138,143
Excluding: Advance approved by the Governing Board in 1997 (within two years of the Agency's establishment) The approved amount exceeds the actual loan balance in June 1997 of \$259,988. (See Exhibit #3)	<u>(782,862)</u>
Total amount added back to Schedule 7	<u>\$ 3,579,281</u>

SUCCESSOR AGENCY TO THE LAKE FOREST REDEVELOPMENT AGENCY  
 AGREED-UPON PROCEDURES RELATED TO ALL OTHER FUNDS

RECONCILIATION OF FINANCIAL TRANSACTIONS FOR THE PERIODS ENDED  
 JUNE 30, 2010, JUNE 30, 2011, JANUARY 31, 2012 AND JUNE 30, 2012

	(A) Redevelopment Agency 12 Months Ended 6/30/2010	(B) Redevelopment Agency 12 Months Ended 6/30/2011	(C) Redevelopment Agency 7 Months Ended 1/31/2012	(C) Successor Agency 5 Months Ended 6/30/2012
<b>Assets (modified accrual basis)</b>				
Cash and investments	\$ 8,591,197	\$ 4,144,484	\$ 6,310,524	\$ 5,574,503
Accounts receivable	32,160	29,529	-	1,727,611
Interest receivable	-	15,239	-	-
Prepays	2,938	3,876	-	-
Loans receivable	313,145	487,559	486,380	-
Advances to other funds	990,152	-	-	-
Land held for resale	326,000	-	-	-
<b>Total Assets</b>	<b>\$ 10,255,592</b>	<b>\$ 4,680,687</b>	<b>\$ 6,796,904</b>	<b>\$ 7,302,114</b>
<b>Liabilities (modified accrual basis)</b>				
Accrued liabilities	\$ 44,831	\$ 82,221	\$ 16,013	\$ 7,714
Deferred revenue	313,145	489,909	486,380	-
Due to the City of Lake Forest	-	-	-	108,410
Advances from other funds	990,152	-	-	-
<b>Total Liabilities</b>	<b>1,348,128</b>	<b>572,130</b>	<b>502,393</b>	<b>116,124</b>
<b>Equity</b>	<b>8,907,464</b>	<b>4,108,557</b>	<b>6,294,511</b>	<b>7,185,990</b>
<b>Total Liabilities and Equity</b>	<b>\$ 10,255,592</b>	<b>\$ 4,680,687</b>	<b>\$ 6,796,904</b>	<b>\$ 7,302,114</b>
<b>Total Revenues</b>	<b>\$ 5,573,019</b>	<b>\$ 4,573,870</b>	<b>\$ 4,616,665</b>	<b>\$ 1,727,611</b>
<b>Total Expenditures</b>	<b>(5,034,799)</b>	<b>(4,684,634)</b>	<b>(2,364,932)</b>	<b>(228,815)</b>
<b>Repayment of Advance from the City of Lake Forest</b>	<b>-</b>	<b>(1,138,143)</b>	<b>-</b>	<b>-</b>
<b>Contribution to the Housing Successor Lake Forest Housing Authority</b>	<b>-</b>	<b>(326,000)</b>	<b>(65,779)</b>	<b>-</b>
<b>Transfer of Housing Assets to the Lake Forest Housing Authority</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(607,317)</b>
<b>Transfer to the City of Lake Forest for Capital Projects</b>	<b>-</b>	<b>(3,224,000)</b>	<b>-</b>	<b>-</b>
<b>Transfers In from RDA Funds</b>	<b>754,357</b>	<b>920,754</b>	<b>425,196</b>	<b>-</b>
<b>Transfers Out to RDA Funds</b>	<b>(754,357)</b>	<b>(920,754)</b>	<b>(425,196)</b>	<b>-</b>
<b>Net change in equity</b>	<b>538,220</b>	<b>(4,798,907)</b>	<b>2,185,954</b>	<b>891,479</b>
<b>Beginning Equity</b>	<b>8,369,244</b>	<b>8,907,464</b>	<b>4,108,557</b>	<b>6,294,511</b>
<b>Ending Equity</b>	<b>\$ 8,907,464</b>	<b>\$ 4,108,557</b>	<b>\$ 6,294,511</b>	<b>\$ 7,185,990</b>
<b>Other Information (show year end balances for all three years presented):</b>				
<b>Capital assets as of end of year</b>	<b>\$ 512,162</b>	<b>\$ 877,507</b>	<b>\$ 877,507</b>	<b>\$ -</b>
<b>Long-term debt as of end of year</b>	<b>\$ 1,138,143</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 7,865,000</b>

(A) Agreed information to the State Controller's Report.

(B) Agreed information to the City's audited financial statements.

(C) Agreed information to the City's general ledger.

SUCCESSOR AGENCY TO THE LAKE FOREST REDEVELOPMENT AGENCY  
AGREED-UPON PROCEDURES RELATED TO ALL OTHER FUNDS

## LISTING OF ASSETS

As of June 30, 2012

		Total Assets as of June 30, 2012
	ASSETS	
Cash and investments		\$ 2,138,844
Accounts receivable		<u>1,727,611</u>
TOTAL ASSETS		<u><u>\$ 3,866,455</u></u>



SUCCESSOR AGENCY TO THE LAKE FOREST REDEVELOPMENT AGENCY  
 AGREED-UPON PROCEDURES RELATED TO ALL OTHER FUNDS

SCHEDULE OF CASH BALANCES FOR RETENTION TO MEET ENFORCEABLE OBLIGATIONS (ROPS 1)

Description of Transactions	Purpose of Transactions	Amount	Enforceable Obligation/ Other Legal Requirement Supporting Retention
Accounts payable to the City of Lake Forest	General operating expenses	\$ 108,410	ROPS 1, lines 3, 4, 5 Costs for the administration and operations of winding down the former Redevelopment Agency
Legal Services for March through June 2012	Legal services	4,399	ROPS 1, line 12
Professional services for fiscal year 2011-2012	Financial consulting - retirement of debt obligations	<u>3,315</u>	ROPS 1, line 6
Total cash balances needed to be retained for the funding of enforceable obligations		<u>\$ 116,124</u>	

SUCCESSOR AGENCY TO THE LAKE FOREST REDEVELOPMENT AGENCY  
AGREED-UPON PROCEDURES RELATED TO ALL OTHER FUNDS

SCHEDULE OF CASH BALANCES FOR RETENTION TO MEET ENFORCEABLE  
OBLIGATIONS IN FISCAL YEAR 2012-2013 (ROPS 2)

Consolidated  
Project Area

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**ROPS 2:**

ROP's 2 Original Request Approved by State of California Department of Finance

Funds received in August 2012 and is included in accounts receivable as of June 30, 2012

(See Exhibits #4 and 5)

\$ 701,234

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SUCCESSOR AGENCY TO THE LAKE FOREST REDEVELOPMENT AGENCY  
 AGREED-UPON PROCEDURES RELATED TO ALL OTHER FUNDS

SUMMARY OF BALANCE AVAILABLE FOR ALLOCATION TO AFFECTED TAXING AGENCIES

As of June 30, 2012

Total amount of assets held by the Successor Agency as of June 30, 2012 - (Procedure 5)	\$ 3,866,455	
Less assets legally restricted for uses specified by debt covenants, grant restrictions, or restrictions imposed by other governments - (Procedure 6)		-
Less assets that are not cash or cash equivalents (e.g., physical assets) - (Procedure 7)		-
Less balances that are legally restricted for the funding of an enforceable obligation (net of projected annual revenues available to fund those obligations) - (Procedure 8)		(116,124)
Less balances needed to satisfy ROPS for the 2012-13 fiscal year - (Procedure 9)		(701,234)
Less the amount of payments made on July 12, 2012 to the County Auditor-Controller as directed by the California Department of Finance		-
Add the amount of any assets transferred to the City for which an enforceable obligation with a third party requiring such transfer and obligating the use of the transferred assets did not exist - (Procedures 2 and 3)		<u>3,579,281</u> (A)
Amount to be remitted to County for disbursement to affecting taxing agencies		<u><u>\$ 6,628,378</u></u>

- (A) The advance paid to the City of Lake Forest on February 1, 2011 for capital projects totaling \$3,224,000 was not supported by any enforceable obligations as of June 27, 2011. Also, of the advance payable repaid to the City of Lake Forest of \$1,138,143 on February 1, 2011, \$355,281 is not considered an enforceable obligation (Health and Safety Code Section 34171(g)(2)).

**EXHIBIT 1**

**COOPERATION AGREEMENT  
BY AND BETWEEN  
THE LAKE FOREST HOUSING AUTHORITY,  
THE LAKE FOREST REDEVELOPMENT AGENCY  
AND THE CITY OF LAKE FOREST**

**COOPERATION AGREEMENT**

**by and between**

**THE LAKE FOREST HOUSING AUTHORITY,  
a public body corporate and politic**

**and**

**THE LAKE FOREST REDEVELOPMENT AGENCY,  
a public body corporate and politic**

**and**

**THE CITY OF LAKE FOREST  
a California Municipal Corporation**

**1. PARTIES AND DATE.**

This Cooperation Agreement ("Agreement") is made this 21st day of June, 2011, for reference purposes only by and among the Lake Forest Housing Authority, a public body, corporate and politic ("Authority"), the Lake Forest Redevelopment Agency, a public body, corporate and politic ("Agency") and the City of Lake Forest, a California municipal corporation ("City"). The Authority, Agency and the City each may be referred to as "Party" or collectively as the "Parties" in this Agreement. This Agreement will not become effective until (i) the date on which it has been approved by the Agency's governing body, the Authority's governing body, and the City Council, and executed by the appropriate authorities of the Agency, the Authority, and the City ("Effective Date").

**2. RECITALS.**

2.1 Pursuant to authority granted to it by the Housing Authorities Law (Health & Saf. Code, § 34200 *et seq.*), the Authority is beginning the process of assembling real property for the development of affordable housing for families of low and moderate income within the City of Lake Forest, operating, rehabilitating and providing affordable housing for families of low and moderate income within the City of Lake Forest and using funds for programs or projects that are consistent with the CRL (as defined below), the Housing Element and the Housing Authority's statutory purposes, the Agency Implementation Plan, and the CDBG Consolidated Plan ("Project").

2.2 Under the provisions of the California Community Redevelopment Law (Health and Saf. Code, § 33000 *et seq.*) ("CRL"), the Agency is required to set aside 20% of its general property tax increment allocation to be used for the purposes of increasing, providing and preserving the community supply of low and moderate income housing available at affordable housing costs to persons and families of low and moderate income.

2.3 Pursuant to the provisions of California Health and Safety Code section 33334.3, such funds that must be set aside by the Agency for the purposes of increasing, providing and preserving the supply of low and moderate income housing shall be held in a separate low and moderate income housing fund until used ("Low and Moderate Income Housing Fund").

2.4 Additionally, City may have or will have funds set aside for the purposes of increasing, providing and preserving the supply of low and moderate income housing, including but not limited to in-lieu fees collected by developers ("City Fund").

2.5 Pursuant to section 33220 of the Health and Safety Code, contained in the CRL, the Agency is authorized to enter into cooperative agreements for the purpose of aiding and cooperating in the planning, undertaking, construction, or operation of redevelopment projects located within the area in which it is authorized to act. Such projects include, but are not limited to, the Project.

2.6 The City is attempting to provide affordable housing within its boundaries in accordance with its Regional Housing Needs Assessment obligation imposed by the California Department of Housing and Community Development. Both the Agency and the Authority are

instrumental in assisting the City in meeting these affordable housing obligations. Thus, the City desires to provide all necessary assistance, including all or a portion of the City Fund in accordance with the terms of this Agreement, to the Authority in meeting its goals and obligations with the Project.

2.7 The Agency, Authority and City desire to provide to the Parties and the Agency, Authority and City desire to provide the ability to receive from the Parties financial assistance and cooperation for the purposes of the Project in exchange for the mutual covenants and conditions as set forth herein.

Now, therefore, in consideration of the mutual promises set forth herein and the foregoing recitals which are hereby made a part of this Agreement, the Agency, the Authority, and the City hereby agree as follows:

### **3. FINANCIAL ASSISTANCE; PLEDGE.**

3.1 Financial Assistance. The Parties shall provide financial assistance (“Financial Assistance”) to each other Party for the purposes of the planning, undertaking, construction, or operation of the Project, provided an activity implementing the Project receives appropriation from the Party controlling the funds in question, as set forth further in subsection (x) and Section 3.3 below. Such Financial Assistance may include, but shall not be limited to, the following:

- (i) reimbursement to the Authority for any of the Authority’s actual costs and expenses of the planning, undertaking, construction, or operation of the Project; and
- (ii) direct payment to the Authority for costs and expenses of the planning, undertaking, construction, or operation of the Project; and
- (iii) direct payment to third parties on behalf of the Authority for any costs and expenses of the planning, undertaking, construction, or operation of the Project; and
- (iv) reimbursement to the Agency for any of the Agency’s actual costs and expenses of the planning, undertaking, construction, or operation of the Project; and
- (v) direct payment to the Agency for costs and expenses of the planning, undertaking, construction or operation of the Project; and
- (vi) direct payment to third parties on behalf of the Agency for any costs and expenses of the planning, undertaking, construction or operation of the Project; and
- (vii) reimbursement to the City for any of the City’s actual costs and expenses of the planning, undertaking, construction, or operation of the Project; and
- (viii) direct payment to the City for costs and expenses of the planning, undertaking, construction or operation of the Project; and
- (ix) direct payment to third parties on behalf of the City for any costs and expenses of the planning, undertaking, construction or operation of the Project; and
- (x) the commitment of existing funds within the Agency’s Low and Moderate Income Housing Fund, the Authority’s fund and City Fund and those future

funds authorized under the law to be received for housing purposes (collectively, the "Funds"). The Authority's funds, Agency's Low and Moderate Income Housing Funds and City Funds may be committed to the Parties to implement the Project only through the annual budget process, or on a project basis, in accordance with the Parties adopted budgetary appropriations, carryover, and interfund transfer policies.

3.2 Planning and Undertaking. For purposes of this Agreement, the term "the planning, undertaking, construction, or operation" shall include, but not be limited to, the following:

- (i) the acquisition and assemblage of real property, the provision of relocation assistance and payments or settlements in lieu thereof pursuant to California Relocation Assistance Law (Gov. Code, § 7260 *et seq*) and its implementing state regulations (25 Cal. Code Regs., § 6000 *et seq*) and the federal Uniform Relocation Assistance and Real Property Acquisition Act (42 U.S.C., § 4601-4655) and its implementing federal guidelines (49 C.F.R., Part 24);
- (ii) any financial assistance that might legally be provided to developers, owners, tenants, business owners, any public agency, or any other third parties by the Parties in order to accomplish the development of the Project, including, without limitation, any loan, subsidy, fee-offset or other similar assistance;
- (iii) the planning, construction or installation, of any on-site or off-site improvements required for the development of the Project;
- (iv) the design of the Project;
- (v) insuring the Project site or any portion thereof;
- (vi) initiating or defending any litigation or administrative proceeding regarding the Project;
- (vii) maintenance and repair of Party-owned or leased property; and
- (viii) administrative expenses including costs directly associated with planning, undertaking, construction or operation of the Project.

### 3.3 Method of Financial Assistance Allocation.

3.3.1 Provided the requesting Party is not in default under this Agreement, a Party requesting Financial Assistance from the other Party's Funds shall, prior to approval of an activity implementing the Project or commitment to incur costs, obtain approval of the Financial Assistance and commitment from the Party controlling the applicable Funds that the requesting Party may proceed with the activity implementing the Project. Such approval and commitment shall be accomplished through an annual budget adopting process, or on a project basis, in accordance with the Parties adopted budgetary appropriations, carryover, and interfund transfer policies. Upon receiving such approval and commitment, the requesting Party may proceed with approving the activity implementing the Project and incurring costs to implement the Project consistent with the appropriation. The amount of Financial Assistance shall only be limited by current law.

3.3.2 Prior to the close of the Fiscal Year, or from time to time as deemed necessary or convenient by the appropriating Party, the Parties may request the following information to determine the unused amount, if any, of an appropriation:



- (i) A complete description of the work performed or to be performed, material supplied or to be supplied or the cost incurred or due;
- (ii) Any bills, invoices, vouchers, statements, contracts and any other documents, evidencing the amount paid or due to be paid hereunder;
- (iii) Conditional waivers and releases of mechanics' liens, stop notice claims or other lien claim rights; and
- (iv) Any other document, requirement, evidence or information that the appropriating Party may reasonably request.

The unused amount, if any, may be returned to the appropriating Party, applied to remaining or future aspects of the activity implementing the Project or applied to a separate activity implementing the Project, provided the appropriating Party consents to application of funds to such separate activity through the annual budget process or, on a project basis, in accordance with the Parties adopted budgetary appropriations, carryover, and interfund transfer policies. The Parties may cause an inspection of the activities implementing the Project and a verification of the work completed.

3.3.4 Pledge of Funds. The Parties, by their execution of this Agreement, pledge the payment of the Financial Assistance as appropriated or allocated hereunder of such funds, including but not limited to appropriations or allocations from Agency's Low and Moderate Income Housing Fund in accordance with Health and Safety Code section 33671.5 to secure to the City and Authority the payment of the appropriated or allocated Financial Assistance; such pledge being subordinate to any pledge previously made by Agency to secure repayment of any existing Agency bonds, or the pledge to secure any bond refunding or defeasing repayment of any existing Agency bonds, or the pledge of Agency's Low and Moderate Income Housing Fund to satisfy any other prior obligation of the Agency; or any administrative expense or salaries of the Agency directly relating to the administration of the Low and Moderate Income Housing Fund. The obligations of Agency under this section 3 constitute an indebtedness of Agency for the purposes of carrying out its Redevelopment Plan, which indebtedness is payable out of taxes that are levied by or for the benefit of taxing agencies in the Project Area and which are allocated to the Agency pursuant to Health and Safety Code section 33670(b). Agency's obligations under this section 3 are prior and senior to any Agency bonded indebtedness or other indebtedness or form of obligation incurred after the Effective Date of this Agreement (other than any indebtedness incurred to refund or defease any existing Agency bonds); provided, however, that Agency's obligations under this section 3 may, with the written consent of the Authority, through its Executive Director, be subordinated to future Agency bonded indebtedness. Authority may not unreasonably withhold, delay, or condition its consent to any such request for subordination.

3.4 Discharge of Obligations. A Party's obligation to provide Financial Assistance to another Party pursuant to this Agreement shall be forgiven, discharged and excused upon the occurrence of the latter Party's default of this Agreement.

3.5 Limitation on Monetary Liability. The Agency's obligation to pay any monetary damages arising from the Agency's default under this Agreement shall be strictly limited to monies

available in the Agency's Low and Moderate Income Housing Fund. Under no set of circumstances shall the Authority's, Agency's or City's general fund or other accounts become liable for damages in the event of the breach of Authority's, Agency's or City's obligations under this Agreement or in the event of any injury, loss or damage to any person or property relating to the Project. All of Agency's obligations under this Agreement shall be funded only out of the Agency's Low and Moderate Income Housing Fund. All of City's obligations under this Agreement shall be funded only out of the City Fund.

#### **4. INDEMNIFICATION**

##### **4.1 Indemnification.**

4.1.1 Authority shall defend, indemnify and hold Agency, City, their elected officials, officers, employees, and agents free and harmless from any and all liability from loss, damage, or injury to or death of persons or property in any manner arising out of or incident to Authority's performance of this Agreement, including without limitation all consequential damages, attorneys' fees and court costs resulting from the negligence of Authority or Authority's agents in the performance of this Agreement. Authority's obligations pursuant to this section 4.1.1 shall not extend to any liability to the extent such liability arises from the willful misconduct or negligence of the Agency, City, their elected officials, officers, employees and/or agents.

4.1.2 The Agency shall defend, indemnify and hold Authority, City and their elected officials, officers, employees, and agents free and harmless from any and all liability from loss, damage, or injury to or death of persons or property in any manner arising out of or incident to the Agency's performance of this Agreement, including without limitation all consequential damages, attorneys' fees and court costs, including without limitation all consequential damages, attorneys' fees and court costs resulting from the negligence of the Agency or the Agency's agents in the performance of this Agreement. The Agency's obligations pursuant to this section 4.1.2 shall not extend to any liability to the extent such liability arises from the willful misconduct or negligence of Authority, City, their elected officials, officers, employees and/or agents.

4.1.3 The City shall defend, indemnify and hold Authority, Agency and their elected officials, officers, employees, and agents free and harmless from any and all liability from loss, damage, or injury to or death of persons or property in any manner arising out of or incident to the City's performance of this Agreement, including without limitation all consequential damages, attorneys' fees and court costs, including without limitation all consequential damages, attorneys' fees and court costs resulting from the negligence of the City or the City's agents in the performance of this Agreement. The City's obligations pursuant to this section 4.1.3 shall not extend to any liability to the extent such liability arises from the willful misconduct or negligence of Authority, Agency, their elected officials, officers, employees and/or agents.

#### **5. MISCELLANEOUS PROVISIONS**

5.1 Defaults - General. Subject to the extensions of time set forth herein, failure or delay by either party to perform any term or provision of this Agreement constitutes a default under this Agreement. The party who fails or delays must immediately commence to cure, correct or remedy

such failure or delay and shall complete such cure, correction or remedy with reasonable diligence, and during any period of curing shall not be in default. The injured party shall give written notice of default to the party in default, specifying the default complained of by the injured party. Failure or delay in giving such notice shall not constitute a waiver of any default, nor shall it change the time of default. Except as otherwise expressly provided in this Agreement, any failures or delays by either party in asserting any of its rights and remedies as to any default shall not operate as a waiver of any default or of any such right or remedies. Delays by either party in asserting any of its rights and remedies shall not deprive either party of its right to institute and maintain any actions or proceedings which it may deem necessary to protect, assert or enforce any such rights or remedies.

5.2 Attorneys' Fees. In the event any action is commenced to enforce or interpret any term or condition of this Agreement, in addition to costs and any other relief, the prevailing party shall be entitled to reasonable attorneys' fees and costs.

5.3 Notice. Any notice or other delivery required or desired to be sent pursuant to this Agreement shall be addressed as follows:

Agency

Lake Forest Redevelopment Agency  
25550 Commercentre Dr., Ste. 100  
Lake Forest, CA 92630  
Attention: Executive Director

Authority

Lake Forest Housing Authority  
25550 Commercentre Dr., Ste. 100  
Lake Forest, CA 92630  
Attention: Executive Director

City

City of Lake Forest  
25550 Commercentre Dr. Ste. 100  
Lake Forest, CA 92630  
Attention: City Manager

Any party may change its address by written notice to the other party.

5.4 Entire Agreement. This Agreement contains the entire agreement of the parties hereto with respect to the matters contained herein.

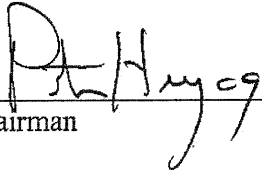
5.5 Assignment. This Agreement shall not be assigned without the written consent of the parties hereto, any assignment without such written consent shall be void and ineffective.

5.6 Time of Essence. Time is of the essence for this Agreement.

5.7 Applicable Law; Venue. The laws of the State of California shall govern the interpretation and enforcement of this Agreement without regard to conflicts of laws principles. Any legal action or proceeding concerning this Agreement shall be filed and prosecuted in the

**SIGNATURE PAGE TO  
FINANCIAL ASSISTANCE AND COOPERATION AGREEMENT**


LAKE FOREST HOUSING AUTHORITY,  
a public body, corporate and politic

By:   
Chairman

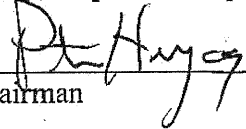
ATTEST:

  
Authority Secretary

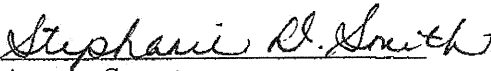
APPROVED AS TO LEGAL FORM  
BEST, BEST & KRIEGER, LLP

By:   
Authority Counsel

LAKE FOREST REDEVELOPMENT  
AGENCY,  
a public body, corporate and politic

By:   
Chairman

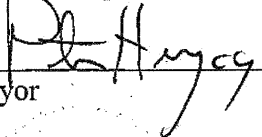
ATTEST:

  
Agency Secretary

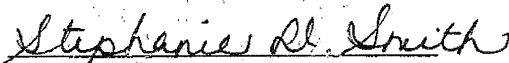
APPROVED AS TO LEGAL FORM  
BEST, BEST & KRIEGER, LLP

By:   
Agency Counsel


CITY OF LAKE FOREST,  
a California municipal corporation

By:   
Mayor

ATTEST:

  
City Clerk

APPROVED AS TO LEGAL FORM  
BEST, BEST & KRIEGER, LLP

By:   
City Attorney

**EXHIBIT 2**

**RESOLUTION NO. R2011-08**

**A RESOLUTION OF THE REDEVELOPMENT  
AGENCY OF THE CITY OF LAKE FOREST, CALIFORNIA,  
TRANSFERRING INTERESTS IN REAL PROPERTY  
AND RELATED AGREEMENTS TO THE  
LAKE FOREST HOUSING AUTHORITY**

**RESOLUTION NO. R2011-08**

**A RESOLUTION OF THE REDEVELOPMENT  
AGENCY OF THE CITY OF LAKE FOREST,  
CALIFORNIA, TRANSFERRING INTERESTS IN  
REAL PROPERTY AND RELATED AGREEMENTS  
TO THE LAKE FOREST HOUSING AUTHORITY**

WHEREAS, pursuant to the California Community Redevelopment Law (Health & Safety Code Sections 33000, *et seq.*) ("CRL"), the City Council of the City of Lake Forest ("City") approved and adopted a Redevelopment Plan ("Redevelopment Plan") for the redevelopment Project Area known as the El Toro Project Area ("Project Area"); and

WHEREAS, the Governing Board ("Board") of the Redevelopment Agency of the City of Lake Forest ("Agency") is engaged in activities to implement the Redevelopment Plan for the Project Area pursuant to the provisions of the CRL; and

WHEREAS, pursuant to the Housing Authority Law (Health and Safety Code Sections 34200, *et seq.*) ("Law"), the City declared the need for a housing authority and formed the Lake Forest Housing Authority ("Authority") on February 1, 2011; and

WHEREAS, the Agency currently owns real properties located at 22702 and 22706 Madrid Drive, the Families Forward properties, and Assessor Parcel Number 614-024-01, the "Agency Parcel", and Assessor Parcel Number 614-021-31, a tax defaulted parcel purchased from the County of Orange known as the "Mamie Thomas Parcel" in the City of Lake Forest ("Properties"); and

WHEREAS, the Agency has entered into agreements governing the real properties located at 22702 and 22706 Madrid Drive to promote the goals and objectives of the City and Agency including but not limited to the Affordable Housing Agreement with Families Forward, a California nonprofit public benefit corporation; and

WHEREAS, the Agency is contemplating agreements governing the Agency Parcel and the Mamie Thomas Parcel to promote the goals and objectives of the City and Agency; and

WHEREAS, the State of California is moving forward with eliminating redevelopment agencies statewide, causing significant financial hardship to communities; and

WHEREAS, the Agency desires to transfer the Properties and interest in agreements, and the Authority desires to accept the Properties and interest in agreements, to ensure the assets remain a community benefit, which is in the best interests of the City; and

NOW, THEREFORE, THE REDEVELOPMENT AGENCY OF THE CITY OF LAKE FOREST, CALIFORNIA DOES HEREBY RESOLVE AS FOLLOWS:

SECTION 1. Incorporation of Recitals. The foregoing recitals are true and correct and are incorporated herein and made an operative part of this Resolution.

SECTION 2. Transfer of Properties. The Agency hereby approves the transfer of the Properties to the Authority. The Executive Director, or his or her designee, is authorized and directed to execute such documents and instruments as may be necessary to memorialize the obligations between the Authority and the Agency, including the obligations required to finalize a transfer of the Properties, and shall take all other actions necessary or convenient in the furtherance of the actions authorized by this Resolution.

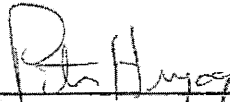
SECTION 3. Agreements. The Executive Director, or his or her designee, is authorized and directed to take any actions necessary to assign the rights and obligations for any Agency agreements relating to the Properties, including the Affordable Housing Agreement and Leases with Families Forward, a California nonprofit public benefit corporation, in consultation with Authority Counsel.

SECTION 4. CEQA. The Agency has determined that the transfer of land is exempt from the requirements of the California Environmental Quality Act ("CEQA"), pursuant to State CEQA Guidelines Section 15061(b)(3), because it can be seen with certainty that the mere transfer of title from the Agency to the Authority will not have a significant effect on the environment. The Agency hereby directs Agency staff to file a Notice of Exemption with the Clerk of Orange County within five (5) calendar days following approval of this Resolution.


SECTION 5. Severability. If any provision of this Resolution is held invalid, the remainder of this Resolution shall not be affected by such invalidity, and the provisions of this Resolution are severable.

SECTION 6. Effective Date. This Resolution shall become effective immediately upon its adoption.

PASSED AND ADOPTED by the Governing Board of the Lake Forest Redevelopment Agency at a regular meeting thereof held on the 15<sup>th</sup> day of March 2011 by the following vote:

  
\_\_\_\_\_  
PETER HERZOG  
CHAIR

ATTEST:

  
\_\_\_\_\_  
STEPHANIE D. SMITH, CMC  
AGENCY SECRETARY


APPROVED AS TO FORM:

  
\_\_\_\_\_  
SCOTT C. SMITH  
AGENCY COUNSEL

STATE OF CALIFORNIA        )  
COUNTY OF ORANGE        ) SS  
CITY OF LAKE FOREST        )

I, Stephanie D. Smith, Agency Secretary of the Redevelopment Agency of the City of Lake Forest, California, do hereby certify that the foregoing Resolution No. 2011-08 was duly passed and adopted at a regular meeting of the Redevelopment Agency on the 15<sup>th</sup> day of March 2011 by the following vote, to wit:

AYES:       AGENCY MEMBERS:       MCCULLOUGH, RUDOLPH, VOIGTS  
NOES:       AGENCY MEMBERS:       NONE  
ABSENT:     AGENCY MEMBERS:       HERZOG, TETTEMER  
ABSTAIN:   AGENCY MEMBERS:       NONE

  
\_\_\_\_\_  
STEPHANIE D. SMITH, CMC  
AGENCY SECRETARY



**EXHIBIT 3**

**RESOLUTIONS NOS. R97-01 AND R96-6**

**RESOLUTIONS OF THE LAKE FOREST  
REDEVELOPMENT AGENCY ACCEPTING A LOAN  
FROM THE CITY OF LAKE FOREST AND  
AUTHORIZING THE EXECUTION OF A  
PROMISSORY NOTE THEREUNDER**

**A RESOLUTION OF THE LAKE FOREST  
REDEVELOPMENT AGENCY ACCEPTING A LOAN  
FROM THE CITY OF LAKE FOREST AND  
AUTHORIZING THE EXECUTION OF A PROMISSORY  
NOTE THEREUNDER**

WHEREAS, the City Council of the City of Lake Forest established the Lake Forest Redevelopment Agency on September 5, 1995 by adopting Ordinance No. 60; and,

WHEREAS, the City Council of the City of Lake Forest declared itself to be the Redevelopment Agency Board for said Redevelopment Agency; and,

WHEREAS, the Agency Board for the Lake Forest Redevelopment Agency desires to receive certain funds loaned by the City of Lake Forest for the purpose of carrying out the mission prescribed by the City Council and the obligations under State Community Redevelopment Law; and,

WHEREAS, the Agency received certain operating funds from the City of Lake Forest under the terms of a promissory note which principal and interest are due June 30, 1997 and the Agency desires to extend repayment under the promissory note and to receive additional funding from the City; and,

WHEREAS, the Agency desires to evidence its authorization to incur indebtedness by executing a promissory note in favor of the City of Lake Forest.

**NOW THEREFORE, THE AGENCY BOARD OF THE LAKE FOREST  
REDEVELOPMENT AGENCY DOES HEREBY RESOLVE, DETERMINE, ORDER,  
AND FIND AS FOLLOWS:**

**SECTION 1.** The Agency Board hereby authorizes the Lake Forest Redevelopment Agency to extend the repayment of the sums due under that certain promissory note executed by Agency in favor of City on July 16, 1996 and to receive additional funding from City in the amount of four-hundred-forty-three-thousand-nine-hundred dollars (\$443,900.00) for a total indebtedness of seven-hundred-eighty-two-thousand-eight-hundred-sixty-two dollars (\$782,862.00) from the City of Lake Forest with evidence of said debt to be set forth in a promissory note, attached hereto and incorporated herein as Exhibit "A," from Agency to City with interest on said loan proceeds to be repaid with interest at the current rate the City is receiving on its investment portfolio for each period during which interest is due.

**SECTION 2.** The Agency Board hereby directs the Chair of the Board to execute said Promissory Note, attached hereto and incorporated herein as Exhibit "A," on behalf of Agency.

SECTION 3. The Secretary to the Agency shall attest to the adoption of this Resolution and shall maintain the same in the permanent records of the Agency.

PASSED AND ADOPTED THIS 17th DAY OF June, 1997.

LAKE FOREST REDEVELOPMENT AGENCY

By:   
HELEN WILSON, Chair

ATTEST:

  
JERI L. STATELY  
Secretary to the Agency

APPROVED AS TO FORM:

  
JERRY M. PATTERSON  
Agency General Counsel

STATE OF CALIFORNIA )  
COUNTY OF ORANGE ) ss.  
CITY OF LAKE FOREST )


I, JERI L. STATELY, Secretary to the Lake Forest Redevelopment Agency, DO HEREBY CERTIFY that the foregoing Resolution No. R97-01 was duly passed and adopted at a regular meeting of the Lake Forest Redevelopment Agency held on the 17th day of June, 1997, with the following roll call vote, to wit:

AYES: 4 AGENCY MEMBERS: Rudolph, Wilson, Herzog, McCullough

NOES: 0 AGENCY MEMBERS: None

ABSENT: 1 AGENCY MEMBERS: Dixon

ABSTAIN: 0 AGENCY MEMBERS: None

  
JERI L. STATELY  
Secretary to the Agency

(SEAL)

EXHIBIT "A"

\$782,862.00

June 17, 1997

PROMISSORY NOTE

For a good and valuable consideration, receipt of which is hereby acknowledged, the Lake Forest Redevelopment Agency, a redevelopment agency formed and existing pursuant to Section 34100 *et seq.*, of the Health and Safety Code of the State of California ("Agency"), does hereby agree to pay to the City of Lake Forest, a California general law municipal corporation organized and existing under and by virtue of the Constitution and laws of the State of California ("City"), the sum of seven-hundred-eighty-two-thousand-eight-hundred-sixty-two dollars (\$782,862.00). Such sum includes the principal and interest due under that certain promissory note executed by Agency in favor of City dated July 16, 1996 with principal and interest in the amount of three-hundred-twenty-five-thousand-seven-hundred-twenty-two dollars (\$325,722.00) and an additional sum of four-hundred-forty-three-thousand-nine-hundred dollars (\$443,900.00) for a total amount borrowed of seven-hundred-eighty-two-thousand-eight-hundred-sixty-two dollars (\$782,862.00).

The said sum shall be paid by Agency to City on or before June 30, 1998, together with interest thereon at the same rate per annum as City is receiving during such period on its investment portfolio from and after the date of this Promissory Note, through and including the date of payment of all sums due hereunder.

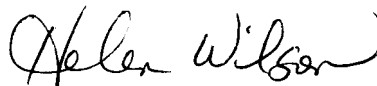
The sums due hereunder shall be payable in currency of the United States and shall be paid to City at its offices located at 23161 Lake Center Drive, Ste. 100, Lake Forest, California 92630 or at such other location as City shall advise Agency in writing.

Should litigation be reasonably required to enforce the provisions of this Note, Agency agrees to pay to City its reasonable attorneys' fees incurred in conjunction therewith together with all other costs of suit.

This Note is executed and issued on behalf of the Agency on this 17th day of June, 1997.

LAKE FOREST REDEVELOPMENT AGENCY

By:

  
Helen Wilson, Chair

ATTEST:

ORANGE:6130.2

  
Jeri L. Stately, CMC  
Agency Secretary

This Promissory Note is hereby accepted by and on behalf of the City of Lake Forest.

CITY OF LAKE FOREST

By:   
HELEN WILSON  
Mayor

ATTEST:

  
JERRI L. STATELY  
City Clerk

RESOLUTION NO. R96-6

**A RESOLUTION OF THE LAKE FOREST  
REDEVELOPMENT AGENCY ACCEPTING A LOAN  
FROM THE CITY OF LAKE FOREST AND  
AUTHORIZING THE EXECUTION OF A PROMISSORY  
NOTE THEREUNDER**

WHEREAS, the City Council of the City of Lake Forest established the Lake Forest Redevelopment Agency on September 5, 1995 by adopting Ordinance No. 60; and,

WHEREAS, the City Council of the City of Lake Forest declared itself to be the Redevelopment Agency Board for said Redevelopment Agency; and,

WHEREAS, the Agency Board for the Lake Forest Redevelopment Agency desires to receive certain funds loaned by the City of Lake Forest for the purpose of carrying out the mission prescribed by the City Council and the obligations under State Community Redevelopment Law.

NOW THEREFORE, THE AGENCY BOARD OF THE LAKE FOREST REDEVELOPMENT AGENCY DOES HEREBY RESOLVE, DETERMINE, ORDER, AND FIND AS FOLLOWS:

SECTION 1. The Agency Board hereby authorizes the Lake Forest Redevelopment Agency to accept loan funds in the amount of \$855,700.00 from the City of Lake Forest with evidence of said debt to be set forth in a promissory note from Agency to City with interest on said loan proceeds to be repaid with interest at the current rate the City is receiving on its investment portfolio for each period during which interest is due.

SECTION 2. The Agency Board hereby directs the Chair of the Board to execute said Promissory Note on behalf of Agency.

SECTION 3. The Secretary to the Agency shall attest to the adoption of this Resolution and shall maintain the same in the permanent records of the Agency.

PASSED AND ADOPTED THIS 16th DAY OF July , 1996.

LAKE FOREST REDEVELOPMENT AGENCY

By:   
Chair

ATTEST:

  
JERI L. STATELY  
Secretary to the Agency

APPROVED AS TO FORM:

  
JERRY M. PATTERSON  
Agency General Counsel



STATE OF CALIFORNIA            )  
COUNTY OF ORANGE            ) ss.  
CITY OF LAKE FOREST         )


I, JERI L. STATELY, Secretary to the Lake Forest Redevelopment Agency, DO HEREBY CERTIFY that the foregoing Resolution No. R96-6 was duly passed and adopted at a regular meeting of the Lake Forest Redevelopment Agency held on the 16th day of July, 1996, with the following roll call vote, to wit:

AYES: 4 AGENCY MEMBERS: Dixon, Wilson, Herzog, McCullough

NOES: 0 AGENCY MEMBERS: None

ABSENT: 1 AGENCY MEMBERS: Van Haun

ABSTAIN: 0 AGENCY MEMBERS: None

  
JERI L. STATELY  
Secretary to the Agency

(SEAL)

**EXHIBIT "A"**

\$ 855,700.00

July

16, 1996

**PROMISSORY NOTE**

For a good and valuable consideration, receipt of which is hereby acknowledged, the Lake Forest Redevelopment Agency, a redevelopment agency formed and existing pursuant to Section 34100 *et seq.*, of the Health and Safety Code of the State of California ("Agency"), does hereby agree to pay to the City of Lake Forest, a California general law municipal corporation organized and existing under and by virtue of the Constitution and laws of the State of California ("City"), the sum of

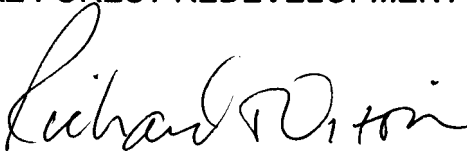
Eight Hundred Fifty-Five Thousand Seven Hundred Dollars (\$ 855,700.00 ). The said sum shall be paid by Agency to City on or before June 30, 1997, together with interest thereon at the same rate per annum as City is receiving during such period on its investment portfolio from and after the date of this Promissory Note, through and including the date of payment of all sums due hereunder.

The sums due hereunder shall be payable in currency of the United States and shall be paid to City at its offices located at 23778 Mercury Road, Lake Forest, California 92630 or at such other location as City shall advise Agency in writing.

Should litigation be reasonably required to enforce the provisions of this Note, Agency agrees to pay to City its reasonable attorneys' fees incurred in conjunction therewith together with all other costs of suit.

This Note is executed and issued on behalf of the Agency on this 16th day of July, 1996.

LAKE FOREST REDEVELOPMENT AGENCY

By:   
Chair

ATTEST:


  
JERI L. STATELY  
Secretary to the Agency

This Promissory Note is hereby accepted by and on behalf of the City of Lake Forest.

CITY OF LAKE FOREST

By   
RICHARD T. DIXON  
Mayor

ATTEST:

  
JERI L. STATELY  
City Clerk

**EXHIBIT 4**

**ROPS 2 (JULY 2012 - DECEMBER 2012)**

**RECOGNIZED OBLIGATIONS PAYMENT SCHEDULE JULY 1, 2012 THROUGH DECEMBER 31, 2012**  
 Per AB1X 26 - Section 34177(l)

Project Name / Debt Obligation	Payee	Funding Source	Description	Total Outstanding Debt or Obligation	Total Due During Fiscal Year	Payments by month					Total	
						July	August	September	October	November		December
1 Reimbursement Agreement w/ City Financing Authority	City of Lake Forest	RDA Property Tax Trust Fund	Reimbursement for 2004 Certificates of Participation using tax increment revenue	12,488,763.75	547,176.00	0.00	0.00	0.00	0.00	0.00	395,268.00	\$ 395,268.00
2 Trustee's Fees for Certificates of Participation	U.S. Bank	RDA Property Tax Trust Fund	Trustee's Fees for Certificates of Participation	Ongoing Administrative Cost	1,870.00	0.00	0.00	0.00	1,870.00	0.00	0.00	\$ 1,870.00
3 Successor Agency Employee Salaries	City of Lake Forest	RDA Property Tax Trust Fund	Agency employee salaries	Ongoing Administrative Cost	309,996.00	25,833.00	25,833.00	25,833.00	25,833.00	25,833.00	25,833.00	\$ 154,998.00
4 Successor Agency Employee Costs	City of Lake Forest	RDA Property Tax Trust Fund	Employee Medical Benefits, Retirement, and Health Insurance	Ongoing Administrative Cost	60,996.00	5,083.00	5,083.00	5,083.00	5,083.00	5,083.00	5,083.00	\$ 30,498.00
5 Successor Agency Operations	City of Lake Forest	RDA Property Tax Trust Fund	Agency supplies, equipment, City Hall rent, and other operational supplies	Ongoing Administrative Cost	60,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	\$ 30,000.00
6 Contract for Retirement of Debt Obligations and Monitoring of Existing Affordable Housing Agreements	Rosenow Spevack Group, Inc.	RDA Property Tax Trust Fund	Financial Consulting - Retirement of Debt Obligations	Ongoing Administrative Cost	48,000.00	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00	\$ 24,000.00
7 Contract for Housing Rehabilitation Loan Fees (result of existing contracts for Housing Rehab Loan Program)	AmeriNational	RDA Property Tax Trust Fund	Low and moderate income housing rehabilitation loans	30,000.00	1,200.00	100.00	100.00	100.00	100.00	100.00	100.00	\$ 600.00
8 Transfer Fees for Mobile Home Rehabilitation Loans (result of existing contracts for Housing Rehab Loan Program)	State Department Housing and Community Development	RDA Property Tax Trust Fund	Low and moderate income housing rehabilitation loans	3,000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	\$ -
9 Transfer Fees for Home Rehabilitation Loans (result of existing contracts for Housing Rehab Loan Program)	Orange County Tax Assessor's Office	RDA Property Tax Trust Fund	Low and moderate income housing rehabilitation loans	9,000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	\$ -
10 Contract for Rehabilitation Loan Services (result of existing contracts for Housing Rehab Loan Program)	Housing Rehabilitation Consulting Services ("HRCS") - Theresa Dobbs	RDA Property Tax Trust Fund	Low and moderate income housing rehabilitation loans	Ongoing Administrative Cost	12,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	\$ 6,000.00
11 Contract for Legal Services - Legal	Best Best & Krieger, LLP	RDA Property Tax Trust Fund	Compliance with AB1X 26	Ongoing Administrative Cost	60,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	\$ 30,000.00
12 Contract for Community Development Block Grant Administration - Laguna Hills to Process Existing Loan Agreements	GRC Associates Inc.	RDA Property Tax Trust Fund	Ongoing Administration of Program	48,000.00	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00	\$ 24,000.00
13 Agreement with Families Forward - Requires Payment of Housing Association Dues	Rancho Viejo II	Low and Moderate Housing Fund	Madrid condominiums	252,000.00	7,200.00	600.00	600.00	600.00	600.00	600.00	600.00	\$ 3,600.00
14 Relocation Plan for Saguario Street Property*	Saguario Street Tenants as necessary	RDA Property Tax Trust Fund	Relocation benefits	223,317.00	4,000.00	2,000.00	2,000.00	0.00	0.00	0.00	0.00	\$ 4,000.00
15 Lease Agreements for Saguario Property Utilities	Southern California Edison, Southern California Gas, Waste Management, and Irvine Ranch Water District	Low and Moderate Housing Fund	Saguario utilities (gas, electric, waste management) - maintenance of existing affordable housing asset under AB1X 26	Ongoing Administrative Cost	9,600.00	800.00	800.00	800.00	800.00	800.00	800.00	\$ 4,800.00
16 Saguario Street Property Maintenance Agreement**	City of Lake Forest (Janney Clark Inc.) (Bernardo Galvan)	Low and Moderate Housing Fund	Various maintenance requirements to preserve value of an affordable housing asset pursuant to the provisions of AB1X 26	Ongoing Administrative Cost	42,000.00	3,500.00	3,500.00	3,500.00	3,500.00	3,500.00	3,500.00	\$ 21,000.00
17 Madrid Condominiums Maintenance Agreement**	Janney Clark Inc.	Low and Moderate Housing Fund	Various maintenance requirements to preserve value of an affordable housing asset pursuant to the provisions of AB1X 26	Ongoing Administrative Cost	15,000.00	1,250.00	1,250.00	1,250.00	1,250.00	1,250.00	1,250.00	\$ 7,500.00
18 Authority Parcel Maintenance Agreement**	County of Orange	Low and Moderate Housing Fund	Various maintenance requirements to preserve value of an affordable housing asset pursuant to the provisions of AB1X 26	Ongoing Administrative Cost	7,200.00	600.00	600.00	600.00	600.00	600.00	600.00	\$ 3,600.00
19 Agreement for Saguario Street Property Landscaping	Spectrum Care	Low and Moderate Housing Fund	Landscaping for Saguario Property	Ongoing Administrative Cost	600.00	50.00	50.00	50.00	50.00	50.00	50.00	\$ 300.00
Totals - This Page				\$ 13,054,080.75	\$ 1,246,838.00	\$ 58,816.00	\$ 58,816.00	\$ 58,816.00	\$ 58,816.00	\$ 58,816.00	\$ 58,816.00	\$ 742,034.00
Grand total - All Pages				\$ 13,054,080.75	\$ 1,246,838.00	\$ 58,816.00	\$ 58,816.00	\$ 58,816.00	\$ 58,816.00	\$ 58,816.00	\$ 58,816.00	\$ 742,034.00

\*\*Relocation benefits are required under State Law. It is unknown whether the tenants of the Saguario Property would exercise these rights at any point during the effectiveness of the ROPS. As a result, the lump sum maximum relocation benefit amount is included.

\*\*Under AB1X 26, the Successor Agency is required to maintain and preserve real estate assets of the former redevelopment agency.

**Less: Amounts provided by Low and Moderate Housing Fund**  
**Total ROPS 2 Request**

**(40,800)**  
**701,234**

**EXHIBIT 5**

**LETTERS FROM THE STATE OF CALIFORNIA  
DEPARTMENT OF FINANCE REGARDING  
ROPS 2 (JULY 2012 - DECEMBER 2012)**



May 10, 2012

Carlo Tomaino, Management Analyst  
Redevelopment/Economic Development  
City of Lake Forest  
25550 Commercentre Drive, Suite 100  
Lake Forest, CA 92630

Dear Mr. Tomaino:

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the City of Lake Forest (City) Successor Agency submitted a Recognized Obligation Payment Schedule (ROPS) to the California Department of Finance (Finance) on April 25, 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

- Item No. 1 – Reimbursement Agreement in the amount of \$12.5 million. The Reimbursement Agreement is dated March 1, 2004. HSC section 34171(d)(2) states that agreements, contracts or arrangements between the entity that created the redevelopment agency (RDA) and the former RDA are only enforceable if made within the first two years of the RDA's existence. The City RDA was established in 1995. The agreement between the City and the RDA was made subsequent to the first two-year period. Therefore, the loan is not an EO.
- Administrative expenses of \$1,715. The HSC section 34171 (b) limits the 2011-12 administrative cost allowance to five percent of the property tax allocated to the successor agency or \$250,000, whichever is greater. Therefore, \$1,715 of the claimed \$251,715 is not allowed. The following items are administrative expenses: Item Nos. 3, 4, 5, 12, and 14.

July through December 2012 ROPS

- Item No. 1 – Reimbursement Agreement in the amount of \$12.5 million. The Reimbursement Agreement is dated March 1, 2004. HSC section 34171(d)(2) states that agreements, contracts or arrangements between the entity that created the redevelopment agency (RDA) and the former RDA are only enforceable if made within the first two years of the RDA's existence. The City RDA was established in 1995. The agreement between the City and the RDA was made subsequent to the first two-year period. Therefore, the loan is not an EO.

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.

Department of 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.

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 to the following email address:

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

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

Sincerely,



MARK HILL  
Program Budget Manager

cc: Frank Davies, Administrative Manager, Orange County





May 21, 2012

Carlo Tomaino, Management Analyst  
Redevelopment/Economic Development  
City of Lake Forest  
25550 Commercentre Drive, Suite 100  
Lake Forest, CA 92630

Dear Mr. Tomaino:

The Department of Finance (Finance) reviewed the City of Lake Forest (City) Successor Agency Recognized Obligation Payment Schedule (ROPS), submitted on April 25, 2012 for the period January through June 2012 and July through December 2012 pursuant to Health and Safety Code section 34179 (h). In Finance's letter dated May 10, 2012, we questioned the following items:

- Item No. 1 – Reimbursement Agreement in the amount of \$12.5 million for both January through June 2012 and July through December periods.
- Item Nos. 3, 4, 5, 12, and 14 – Administrative expenses of \$1,715 for the July through December 2012 period.

The City provided additional information and consequently Item No. 1 has been determined to be an Enforceable Obligation. Therefore, we are no longer questioning that item. In discussion with the City, they agreed to reduce administrative expenses by \$1,715 and will submit a revised ROPS to reflect these changes.

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

Sincerely,

MARK HILL  
Program Budget Manager

cc: Frank Davies, Administrative Manager, Orange County