



May 17, 2013

Ms. Sheryl Montgomery, Senior Administrative Analyst
City of Anaheim
201 South Anaheim Boulevard, Suite 1003
Anaheim, CA 92805

Dear Ms. Montgomery:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS 13-14A) letter dated April 8, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Anaheim Successor Agency (Agency) submitted a ROPS 13-14A to Finance for the period of July through December 2013 on February 22, 2013. Subsequently, the Agency requested a Meet and Confer session on one or more of the items denied by Finance. The Meet and Confer session was held on April 22, 2013.

Based on a review of additional information and documentation provided to Finance during the Meet and Confer process, Finance has completed its review of the specific items being disputed.

- Item No. 66 – River Valley Redevelopment Project Area in the amount of \$10 million. This item is no longer being denied and is deemed a valid contract, thus is an enforceable obligation available for Redevelopment Property Tax Trust Fund (RPTTF) funding. The item was previously denied on the basis that payments due were based off a percentage of tax increment, but it is based on a straight-line amortization formula.

However, as per HSC 34181 (e), Finance advises the Oversight Board to review the loan agreement stipulations as an interest rate at 9.5 percent on a principal of \$2,707,110, is not in the best interest of the taxing entities because of the egregious interest payments due resulting from a high interest rate. As a result, this does not promote an expeditious wind-down process.

- Item No. 139 – City of Anaheim (City) Loan in the amount of \$1,111,102. This item was previously denied as HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city that created the redevelopment agency (RDA) and the former RDA are not enforceable. This item shall remain denied on the basis that the construction contracts have officially been awarded to Speiss Construction Co., and the Agency is not a party to the contract. The agreement for public work is between the City and Speiss Construction signed February 26, 2013 by the City Mayor. Therefore, this item is not an enforceable obligation and not eligible for RPTTF.

- The administrative costs funded by RPTTF previously exceeded the allowance by \$201,464. Since Item No. 66 has now been approved, the administrative allowance is increased to \$482,045. HSC section 34171 (b) limits administrative expenses to three percent of property tax allocated to the successor agency or \$250,000, whichever is greater. Although \$522,728 is claimed for administrative cost, Items No. 76 and 77 in the amount of \$150,000 continue to be considered administrative expenses and should be counted toward the cap. Therefore, \$190,683 of excess administrative cost is not allowed.

In addition, per Finance's ROPS letter dated April 13, 2013, the following items continue to be denied and were not contested by the Agency:

- Items No. 119 and 120 – Housing Monitoring Costs totaling \$579,340 are not enforceable obligations. HSC section 34176 (a)(1) states if a city, county, or city and county elects to retain the authority to perform housing functions previously performed by a RDA, all rights, powers, duties, obligations, and housing assets shall be transferred to the city, county, or city and county. Since the Anaheim Housing Authority assumed the housing functions, the administrative costs associated with these functions are the responsibility of the housing successor. Therefore, these items are not enforceable obligations and not eligible for RPTTF funding.

Except for items denied in whole or in part as enforceable obligations, Finance is not objecting to the remaining items listed on your ROPS 13-14A. Obligations deemed not to be enforceable shall be removed from your ROPS. This is Finance's final determination related to the enforceable obligations reported on your ROPS for July through December 2013. Finance's determination is effective for this time period only and should not be conclusively relied on for future periods. All items listed on a future ROPS are subject to a subsequent review and may be denied even if it was or was not denied on this ROPS or a preceding ROPS.

The Agency's maximum approved RPTTF distribution for the reporting period is \$14,563,620 as summarized on next page:

Approved RPTTF Distribution Amount For the period of July through December 2013	
Total RPTTF funding requested for obligations	\$ 17,424,262
Minus: Six-month total for items denied or reclassified as administrative cost	
Item 76*	90,000
Item 77*	60,000
Item 119	60,000
Item 120	35,000
Item 139	1,111,102
Total approved RPTTF for enforceable obligations	\$ 16,068,160
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost	482,045
Minus: ROPS II prior period adjustment	(1,986,585)
Total RPTTF approved for distribution:	\$ 14,563,620

*Reclassified as administrative cost

Pursuant to HSC Section 34186 (a) also specifies that the prior period adjustments self-reported by successor agencies are subject to audit by the county auditor-controller (CAC) and the State

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Controller. The proposed CAC adjustments were received in time for inclusion in this letter. Therefore, the amount of RPTTF approved in the above table includes the prior period adjustment that was reported by the CAC.

Please refer to the ROPS 13-14A schedule that was used to calculate the approved RPTTF amount:

[http://www.dof.ca.gov/redevelopment/ROPS/ROPS 13-14A Forms by Successor Agency/](http://www.dof.ca.gov/redevelopment/ROPS/ROPS%2013-14A%20Forms%20by%20Successor%20Agency/).

This is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2013. Finance's determination is effective for this time period only and should not be conclusively relied upon for future periods. All items listed on a future ROPS are subject to a subsequent review and may be denied even if it was or was not denied on this ROPS or a preceding ROPS. The only exception is for those items that have received a Final and Conclusive determination from Finance pursuant to HSC 34177.5 (i). Finance's review of items that have received a Final and Conclusive determination is limited to confirming the scheduled payments as required by the obligation.

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

To the extent proceeds from bonds issued after December 31, 2010 exist and are not encumbered by an enforceable obligation pursuant to 34171 (d), HSC section 34191.4 (c)(2)(B) requires these proceeds be used to defease the bonds or to purchase those same outstanding bonds on the open market for cancellation.

Please direct inquiries to Wendy Griffe, Supervisor or Jenny DeAngelis, Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Ms. Kerry Kemp, Community Investment Manager, City of Oakland
Mr. Frank Davies, Property Tax Manager, County of Orange
California State Controller's Office