



November 12, 2013

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

Dear Ms. Montgomery:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Anaheim Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14B) to the California Department of Finance (Finance) on September 30, 2013 for the period of January through June 2014. Finance has completed its review of your ROPS 13-14B, which may have included obtaining clarification for various items.

HSC section 34171 (d) defines enforceable obligations. Based on a sample of line items reviewed and application of the law, the following do not qualify as enforceable obligations for the reasons specified:

- Item Nos. 60 and 61 – Low and Moderate Income Housing Fund (LMIHF) Loan repayments totaling \$8,175,836 for Redevelopment Property Tax Trust Fund (RPTTF) funding are not allowed at this time. HSC section 34176 (e) (6) (B) specifies loan or deferral repayments to the LMIHF shall not be made prior to the 2013-14 fiscal year. While ROPS 13-14B technically falls within fiscal year 2013-14, the repayment of these loaned amounts is subject to the repayment formula outlined in HSC section 34176 (e)(6)(B).

HSC section 34176 (e) (6) (B) allows this repayment to be equal to one-half of the increase between the ROPS residual pass-through distributed to the taxing entities in the 2012-13 base year. Since the formula does not allow for estimates, the Agency must wait until the ROPS residual pass-through distributions are known for fiscal year 2013-14 before requesting funding for these obligations. Therefore, the Agency may be able to request funding for the repayment of this loan beginning with ROPS 14-15A.

- Item No. 82 – Professional Services for External Project costs in the amount of \$12,000,000. HSC section 34171 (d) (1) (F) states that contracts or agreements necessary for the administration or operation of the successor agency are considered enforceable, which includes the costs of maintaining assets prior to disposition. However, the Agency failed to provide documentation to support the amounts claimed. Therefore, this line item is not an enforceable and is not eligible for RPTTF funding.

- Item Nos. 84, 86, and 89 through 92 – Packing District/LAB Disposition and Development Agreement (DDA) and related costs totaling \$3,985,117. Finance previously denied the DDA because there were no contracts executed prior to June 27, 2011 as per HSC section 34163 (b), therefore, all related project costs are disallowed. Therefore, these line items are not enforceable obligations and are not eligible for RPTTF funding.
- Item No. 140 – Cooperation/Loan Agreement in the amount of \$1,500,000. It is our understanding this loan relates to the Colony Park and Anaheim Boulevard Projects; items which have been previously denied by Finance in the letter dated December 18, 2012. HSC section 34173 (h) states that the city, county, or city and county that authorized the creation of the redevelopment agency (RDA) may loan funds to a successor agency for administrative costs, enforceable obligations, or project-related expenses. Since Finance has previously denied the items outlined for reimbursement as enforceable, this loan agreement is also not an enforceable obligation and is not eligible for RPTTF funding.

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14B form the estimated obligations and actual payments (prior period adjustments) associated with the January through June 2013 period. 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 Controller. The amount of RPTTF approved in the below table includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

Except for the items denied in whole or in part as enforceable obligations, Finance is not objecting to the remaining items listed on your ROPS 13-14B. If you disagree with the determination with respect to any items on your ROPS 13-14B, you may request a Meet and Confer within five business days of the date of this letter. The Meet and Confer process and guidelines are available at Finance's website below:

http://www.dof.ca.gov/redevelopment/meet_and_confer/

The Agency's maximum approved RPTTF distribution for the reporting period is \$10,177,019 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2014	
Total RPTTF requested for non-administrative obligations	21,130,264
Total RPTTF requested for administrative obligations	633,908
Total RPTTF requested for obligations	\$ 21,764,172
Total RPTTF requested for non-administrative obligations	21,130,264
Denied Items	
Item No. 60	(2,386,098)
Item No. 82	(4,600,000)
Item No. 84	(100,000)
Item No. 86	(500,000)
Item No. 89	(500,000)
Item No. 90	(585,117)
Item No. 91	(150,000)
Item No. 92	(50,000)
Item No. 140	(347,000)
	(9,218,215)
Total RPTTF approved for non-administrative obligations	11,912,049
Total RPTTF approved for administrative obligations	633,908
Total RPTTF approved for obligations	12,545,957
ROPS III prior period adjustment	(2,368,938)
Total RPTTF approved for distribution	\$ 10,177,019

Pursuant to HSC section 34177 (l) (1) (E), agencies are required to use all available funding sources prior to RPTTF for payment of enforceable obligations. Beginning with the ROPS 13-14B period, Finance required successor agencies to identify fund balances for various types of funds in its possession. During our ROPS 13-14B review, Finance requested financial records to support the fund balances reported by the Agency; however, Finance was unable to reconcile the financial records to the amounts reported. As a result, Finance will continue to work with the Agency after the ROPS 13-14B review period to properly identify the Agency's fund balances. If it is determined the Agency possesses fund balances that are available to pay approved obligations, the Agency should request the use of these fund balances prior to requesting RPTTF in ROPS 14-15A.

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

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

Absent a Meet and Confer, this is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2014. This determination applies only to items where funding was requested for the six month period. 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 HSC section 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 Nichelle Thomas, Supervisor or Alex Watt, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Assistant Program Budget Manager

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