



December 17, 2013

Mr. Lee Squire, Financial Services Manager  
City of Brea  
1 Civic Center Circle  
Brea, CA 92821

Dear Mr. Squire:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated October 30, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Brea Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14B) to Finance on September 19, 2013, for the period of January through June 2014. Finance issued a ROPS determination letter on October 30, 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 November 6, 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. 49 on the Prior Period Adjustment Form – Successor Agency Administration Allowance reported in the amount of \$269,586. Pursuant to HSC Section 34186 (a), successor agencies were required to report the estimated obligations and actual payments (prior period adjustments) associated with the January through June 2013 period. The amount from the Redevelopment Property Tax Trust Fund (RPTTF) approved in the table below had included the prior period adjustment that was self-reported by the Agency. 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 CAC reported that they concurred with the Agency's self-reported amounts. During the Meet and Confer process, the Agency provided supporting documents showing that the actual administrative costs for Item No. 49 was \$320,531, which was greater than the allowed amount of \$306,800. Therefore, the actual amount expended for Item No. 49 should be increased to \$306,800, which would decrease the self-reported prior period adjustment to \$0.

In addition, per Finance's letter dated October 30, 2013, we continue to deny the following items not contested by the Agency during the Meet and Confer:

- Item No. 21 – Bond Logistix Bond Services contract in the amount of \$10,000 is not an obligation of the Agency. It is our understanding the agreement entered into on May 3, 2007 is between the City of Brea and Bond Logistix LLC, and the former redevelopment agency is not a party to the contract. Therefore, this line item is not an enforceable obligation and is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding on this ROPS.
- Item No. 50 – City of Brea Reimbursement for ROPS III items in the amount of \$65,229 payable from Other Funds is not approved. It is our understanding that the source of funding for this item is a City loan denied by Finance during our review of Oversight Board Resolution No. 2013-06. The Agency was unable to support claimed amounts in excess of the Finance-approved amounts.

Except for the items denied in whole or in part as an enforceable obligations, Finance is not objecting to the remaining items listed on your ROPS 13-14B. The Agency’s maximum approved RPTTF distribution for the reporting period is \$18,547,449 as summarized below:

<b>Approved RPTTF Distribution Amount For the period of January through June 2014</b>	
Total RPTTF requested for non-administrative obligations	18,227,449
Total RPTTF requested for administrative obligations	330,000
<b>Total RPTTF requested for obligations</b>	<b>\$ 18,557,449</b>
<b>Total RPTTF requested for non-administrative obligations</b>	<b>18,227,449</b>
<b>Denied Items</b>	
Item No. 21	(10,000)
<b>Total RPTTF approved for non-administrative obligations</b>	<b>18,217,449</b>
<b>Total RPTTF requested for administrative obligations</b>	<b>330,000</b>
<b>Total RPTTF approved for distribution</b>	<b>\$ 18,547,449</b>

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/>.

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 section 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 Evelyn Suess, Dispute Resolution Supervisor, or Mary Halterman, Analyst, at (916) 445-1546.

Sincerely,



JUSTYN HOWARD  
Assistant Program Budget Manager

cc: Mr. Bill Gallardo, Administrative Services Director, City of Brea  
Mr. Frank Davies, Property Tax Manager, Orange County  
California State Controller's Office