



December 17, 2013

Mr. Jim Vanderpool, City Manager
City of Buena Park
6650 Beach Boulevard
Buena Park, CA 90621

Dear Mr. Vanderpool:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated November 14, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Buena Park Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14B) to Finance on September 30, 2013, for the period of January through June 2014. Finance issued a ROPS determination letter on November 14, 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 26, 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. 6 – Jonathan Lehrer-Graiwer Judgment (Judgment) in the amount of \$103,824,908. Finance continues to deny this item as the Judgment is not an enforceable obligation. Finance denied the item because the requirement to set aside 20 percent of RDA tax increment for low and moderate income housing purposes ended with the passing of the redevelopment dissolution legislation. The Agency contends the item is an enforceable obligation because the Judgment, which was entered by a competent court of Law, requires the Agency to deposit 25 percent of gross tax increment into a separate Low and Moderate Income Housing Fund to be used for low and moderate income housing purposes. Because there are no longer such taxes allocated to the Agency, there are no longer required set-asides to enforce. The Agency did not provide any information indicating the amounts requested to be set aside were related to an enforceable obligation existing prior to June 27, 2011. Pursuant to ABx1 26 and AB 1484, tax increment is no longer payable to the former RDA and therefore there is no obligation. Therefore, this item is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.

In addition, even if the law allowed for the set-aside to continue, HSC section 34177 (d) required that all unencumbered balances in the Low and Moderate Income Housing

Fund be remitted to the county auditor controller for distribution to the taxing entities. Since the Agency is no longer authorized to enter into new contracts, any set-asides would be unencumbered, and therefore, subject to HSC section 34177 (d).

- Item No. 9 – Beach/Orangethorpe Project Management costs in the amount of \$46,730 in RPTTF this period. Finance no longer denies this item. During the Meet and Confer, the Agency was able to provide City of Buena Park (City) employee timesheets that tracks the time spent on various projects. HSC section 34171 (b) allows for project implementation activities conducted by City staff to be excluded from the Agency's administrative cost allowance. Therefore, this item is an enforceable obligation and is eligible for \$46,730 in RPTTF funding this period.

In addition, per Finance's letter dated November 14, 2013, we continue to deny the following items not contested by the Agency during the Meet and Confer:

- Item Nos. 1 through 4 – Various Tax Allocation Bonds totaling \$58,006. The Agency requested \$2,391,440 for Redevelopment Property Tax Trust Fund (RPTTF) funding, however, the total amount due during ROPS 13-14B is \$2,333,434. It is our understanding the Agency failed to request the correct debt service payment amounts due during ROPS 13-14A. However, the Agency was able to make the full debt service payments from reserves already held by the Agency. Therefore, no funding shortfall exists, the request to replenish reserves is denied, and the RPTTF funding request has been adjusted by \$58,006, (\$2,391,440-\$2,333,434).

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 item denied in whole or in part as an enforceable obligation, 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 \$7,740,207 as summarized on the following page:

Approved RPTTF Distribution Amount For the period of January through June 2014	
Total RPTTF requested for non-administrative obligations	13,178,132
Total RPTTF requested for administrative obligations	395,344
Total RPTTF requested for obligations	\$ 13,573,476
Total RPTTF requested for non-administrative obligations	13,178,132
<u>Denied Items</u>	
Item No. 1	(18,798)
Item No. 2	(16,513)
Item No. 3	(4,429)
Item No. 4	(18,266)
Item No. 6	(5,502,557)
	<u>(5,560,563)</u>
Total RPTTF approved for non-administrative obligations	7,617,569
Total RPTTF approved for administrative obligations	395,344
Total RPTTF approved for obligations	8,012,913
ROPS III prior period adjustment	(272,706)
Total RPTTF approved for distribution	\$ 7,740,207

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/).

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.

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Please direct inquiries to Evelyn Suess, Dispute Resolution Supervisor, or Derk Symons, Analyst, at (916) 445-1546.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Justyn Howard', with a long, sweeping underline that extends to the left.

JUSTYN HOWARD
Assistant Program Budget Manager

cc: Mr. Scott Riordan, Economic Development Manager, City of Buena Park
Mr. Frank Davies, Property Tax Manager, Orange County
California State Controller's Office