



November 15, 2013

Ms. Linda Padilla-Smyth, Economic Development & Housing Manager
City of La Habra
201 East La Habra Boulevard
La Habra, CA 90631

Dear Ms. Padilla-Smyth:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of La Habra Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14B) to the California Department of Finance (Finance) on October 01, 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 an enforceable obligation for the reasons specified:

- Item No. 3 – 1998 Certificate of Participation, Series B and C Debt (COP B/C) Service Principal in the amount of \$855,000. The Agency requests \$855,000, however, according to the debt service schedule; the principal payment is not due until September 2014. HSC section 34171 (d) (1) (A) allows agencies to hold a reserve for debt service payments when required by the bond indenture, or when the next property tax allocation will be insufficient to pay all obligations due under the provisions of the bond for the next payment due in the following half of the calendar year. Based on our review of the bond indentures, we did not note any requirement to create such reserves. Additionally, based on the history of the Agency's RPTTF distributions, it is our understating the next property tax allocation will be sufficient to make debt service payments due for this item. Therefore, this item is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding at this time.
- Item No. 4 – 1998 COP B/C Debt Service Interest in the amount of \$1,920,002; \$1,422,882 payable from Other Funds and \$477,120 payable from RPTTF. It is our understanding the Agency remitted \$1,422,882 in bond proceeds (not Other Funds) in May 2011 to make the scheduled interest payment on the COP. Pursuant to HSC section 34177 (l) (3), the ROPS shall be forward looking to the next six months. At this time, it is unclear to Finance why another \$1,422,882 payment from Other Funds needs to be listed on this ROPS for the May 2011 interest payment on the COP. It already appears as though the Agency paid this scheduled payment. Therefore, Finance cannot determine why funding for that previously scheduled, and paid, payment would be needed again.

Additionally, the Agency requests \$477,120 payable from RPTTF, however, according to the debt service schedule; the interest due in April 2014 is only \$85,927.

HSC section 34171 (d) (1) (A) allows agencies to hold a reserve for debt service payments when required by the bond indenture, or when the next property tax allocation will be insufficient to pay all obligations due under the provisions of the bond for the next payment due in the following half of the calendar year. Based on our review of the bond indentures, we did not note any requirement to create such reserves. Further, based on the history of the Agency's RPTTF distributions, it is our understating the next property tax allocation will be sufficient to make debt service payments due for this item.

Therefore, the requested RPTTF funding is reduced by \$85,927 (\$477,120-\$391,193).

- Item Nos. 5 and 6 – 1998 COP B/C Interest on Debt Service Interest and Principal totaling \$2,125,113. Insufficient documentation was provided to support the amounts claimed. Therefore, these items are not eligible for RPTTF funding.
- Item Nos. 7 – 2000 Tax Allocation Bonds principal payment in the amount of \$255,000. The Agency requests \$255,000, however, according to the debt service schedule; principal payments are not due until October 2014. HSC section 34171 (d) (1) (A) allows agencies to hold a reserve for debt service payments when required by the bond indenture, or when the next property tax allocation will be insufficient to pay all obligations due under the provisions of the bond for the next payment due in the following half of the calendar year. Based on our review of the bond indentures, we did not note any requirement to create such reserves. Further, based on the history of the Agency's RPTTF distributions, it is our understating the next property tax allocation will be sufficient to make debt service payments due for this item. Therefore, this item is not eligible for RPTTF funding.
- Item No. 8 – 2000 Tax Allocation Bond Interest in the amount of \$176,070. The Agency requests \$352,140, however, according to the debt service schedule; the interest due in April 2014 is only \$176,070. HSC section 34171 (d) (1) (A) allows agencies to hold a reserve for debt service payments when required by the bond indenture, or when the next property tax allocation will be insufficient to pay all obligations due under the provisions of the bond for the next payment due in the following half of the calendar year. Based on our review of the bond indentures, we did not note any requirement to create such reserves. Further, based on the history of the Agency's RPTTF distributions, it is our understating the next property tax allocation will be sufficient to make debt service payments due for this item. Therefore, the requested RPTTF funding has been reduced by \$176,070 (\$352,140-\$176,070).

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. 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 \$500,863 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2014	
Total RPTTF requested for non-administrative obligations	2,447,960
Total RPTTF requested for administrative obligations	130,166
Total RPTTF requested for obligations	\$ 2,578,126
<hr/>	
Total RPTTF requested for non-administrative obligations	2,447,960
<u>Denied Items</u>	
Item No. 3	(855,000)
Item No. 4	(391,193)
Item No. 5	(200,000)
Item No. 6	(200,000)
Item No. 7	(255,000)
Item No. 8	(176,070)
	<hr/> (2,077,263)
Total RPTTF approved for non-administrative obligations	370,697
Total RPTTF approved for administrative obligations	130,166
Total RPTTF approved for obligations	500,863
ROPS III prior period adjustment	-
Total RPTTF approved for distribution	\$ 500,863

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. John Balderas, Senior Accountant, City of La Habra
Mr. Frank Davies, Property Tax Manager, Orange County
California State Controller's Office