



December 17, 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

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated November 15, 2013. 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 Finance on October 1, 2013, for the period of January through June 2014. Finance issued a ROPS determination letter on November 15, 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 December 3, 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. 3, 4, 5, and 6 – 1998 Certificate of Participation, Series B and C Debt (COP B/C) Service Principal and Interest payments in the amount of \$1,672,120 of Redevelopment Property Tax Trust Fund (RPTTF) and 1,442,882 in unspent 2000 Tax Allocation Bonds. Finance no longer denies these items. During the Meet and Confer, the Agency provided additional documentation to identify that the Agency expects to have available RPTTF funding available this ROPS period and wishes to use these funds to make a loan payment. In our review, we identified that the Agency has not received sufficient RPTTF every period to make payments to this obligation. Pursuant to the 1998 Loan Agreement, the Agency shall have the sole discretion to determine, in any fiscal year, the exact amount of the aggregate loan repayments. Therefore, we approve the Agency's request to fund these items in the amount of \$1,672,120 in RPTTF.

The Agency also requested to expend \$1,442,882 in unspent 2000 Tax Allocation Bond proceeds for Item No. 4. Finance notes that the Agency met all requirements under HSC section 34191.4 in order to use their unspent pre-2011 bond proceeds. Therefore, Finance approves the Agency's request for expenditure of the unspent 2000 Tax Allocation Bonds for Item No. 4.

In addition, per Finance's letter dated November 15, 2013, we continue to deny the following items not contested by the Agency during the Meet and Confer

- 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. The Agency's maximum approved RPTTF distribution for the reporting period is \$2,147,056 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	2,447,960
Total RPTTF requested for administrative obligations	130,166
Total RPTTF requested for obligations	\$ 2,578,126
Total RPTTF requested for non-administrative obligations	2,447,960
<u>Denied Items</u>	
Item No. 7	(255,000)
Item No. 8	(176,070)
	<u>(431,070)</u>
Total RPTTF approved for non-administrative obligations	2,016,890
Total RPTTF approved for administrative obligations	130,166
Total RPTTF approved for obligations	2,147,056
ROPS III prior period adjustment	-
Total RPTTF approved for distribution	\$ 2,147,056

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_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 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 Sues, Dispute Resolution Supervisor, or Derk Symons, 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