



December 17, 2013

Mr. Troy L. Butzlaff, City Administrator
City of Placentia
401 East Chapman Avenue
Placentia, CA 92870

Dear Mr. Butzlaff:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated November 22, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Placentia Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14B) to Finance on October 11, 2013, for the period of January through June 2014. Finance issued a ROPS determination letter on November 22, 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 10, 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.

- Items No. 1, 2, 3, 27, and 28 – debt service payments for the 2002 and 2009 bonds in the amount of \$7,382,467. During the Meet and Confer, the Agency provided additional information and documentation to show the bonds were successfully refunded on December 3, 2013. Due to the refunding, the Agency requested to decrease Item Nos. 1, 2, 3, 27, and 28 to \$0 as the debt service no longer exists. In addition, the Agency requested \$538,081 in Redevelopment Property Tax Trust Funds (RPTTF) for the upcoming 2013 Tax Allocation Refunding Bond debt service payments, which consists of \$83,081 in interest payment for the ROPS period and \$455,000 in principal due during the July through December 2014 (ROPS 14-15A) period. HSC section 34171 (d)(1)(A) allows successor agencies to hold a reserve when the next property allocation will be insufficient to pay all obligations due under the provisions of the bonds for the next payment due in the following half of the year. Therefore, Item No. 1 is approved for \$538,081 for the 2013 bond debt service payments. Finance notes the Agency should create a new item on the ROPS 14-15A to request bond debt service payments for future periods. In addition, Items 2, 3, 27, and 28 will be adjusted to \$0.

Lastly, Finance notes that pursuant to HSC section 34183 (a) (2) (A), debt service payments have first priority for payment from distributed RPTTF funding. As such, the additional \$455,000 requested to be held in reserve should be transferred upon receipt

to the bond trustee(s) along with the amounts approved for the other ROPS 13-14B debt service payments prior to making any other payments on approved ROPS items. Any requests to fund these items again in the ROPS 14-15A period will be denied unless insufficient RPTTF is received to satisfy the reserve amount requested in ROPS 13-14B for the ROPS 14-15A debt service payments.

In addition, per Finance's letter dated November 22, 2013, we continue to deny the following items not contested by the Agency during the Meet and Confer:

- Item No. 5 – Crowther Relocation in the amount of \$55,900 is not an obligation of the Agency. It is our understanding the settlement agreements are between the City and Reliable Contents Restoration Services, Inc. The former RDA is not a party to the agreement. Additionally, this item was returned to the Agency's Oversight Board for reconsideration in the letters dated April 3, 2013 and May 24, 2013. Therefore, this line item is 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 items denied in whole or in part as enforceable obligations or for the item that have been reclassified, 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 \$1,541,737 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	8,257,259
Total RPTTF requested for administrative obligations	207,303
Total RPTTF requested for obligations	\$ 8,464,562
Total RPTTF requested for non-administrative obligations	8,257,259
<u>Denied Items</u>	
Item No. 5	(55,900)
	(55,900)
<u>Adjusted Items</u>	
Item No. 1 (2013 Refunding Bonds)	538,081
Item No. 1	(71,516)
Item No. 2	(105,513)
Item No. 3	(7,115,438)
Item No. 27	(40,000)
Item No. 28	(55,000)
	(6,849,386)
Total RPTTF approved for non-administrative obligations	1,351,973
Total RPTTF requested for administrative obligations	207,303
Total RPTTF for administrative obligations	207,303
Total RPTTF approved for obligations	1,559,276
ROPS III prior period adjustment	(17,539)
Total RPTTF approved for distribution	\$ 1,541,737

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 Derk Symons, Analyst, at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Assistant Program Budget Manager

cc: Mr. Mike Nguyen, Interim Director of Finance, City of Placentia
Mr. Frank Davies, Property Tax Manager, Orange County
California State Controller's Office