



December 17, 2014.

Ms. Stacey Shokri, Finance Manager
City of Anaheim
201 South Anaheim Boulevard, Suite 1003
Anaheim, CA 92805

Dear Ms. Shokri:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated November 12, 2014. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Anaheim Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15B) to Finance on September 29, 2014, for the period of January through June 2015. Finance issued a ROPS determination letter on November 12, 2014. 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 25, 2014.

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. 78 – Property Management Services in the amount of \$3,839,554. Finance no longer partially approves this item; this item is approved as requested. The Agency submitted oversight board (OB) resolution 2014-13 to Finance on November 23, 2014 pursuant to HSC section 34179 (h). The OB resolution was approved by Finance on December 17, 2014. Therefore, this item is an enforceable obligation and the Agency's request for \$485,000 for the ROPS 14-15B period is eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.
- Item No. 79 – Central Parking Downtown Parking Property Maintenance in the amount of \$700,000. Finance no longer partially approves this item; this item is approved as requested. The Agency submitted oversight board (OB) resolution 2014-12 to Finance on November 23, 2014 pursuant to HSC section 34179 (h). The OB resolution was approved by Finance on December 17, 2014. Therefore, this item is an enforceable obligation and the Agency's request for \$700,000 for the ROPS 14-15B period is eligible for RPTTF funding.
- Item No. 150 – Plaza Redevelopment Project in the amount of \$5,700,930. Finance no longer denies this item. The Agency previously provided an Owner Participation Agreement (OPA) between the former Anaheim Redevelopment Agency (RDA) and the

California State Teachers' Retirement System (CalSTRS) wherein CalSTRS loaned \$800,000 to the Agency and was to advance \$1,500,000 if certain other events occurred. During the July through December 2014 (ROPS 14-15A) period, Finance initially denied this item as it was unclear from the OPA what payment obligation the Agency had to Kimco Realty Corporation. During the ROPS 14-15A Meet and Confer process, the Agency provided documentation showing property ownership changes with the most recent owner as Kimco Realty Corporation (Kimco) and naming Kimco the new "Participant" under the OPA as permitted by Section 609 of the OPA.

However, during the ROPS 14-15A meet and confer process, Finance noted several concerns with this item and the documentation provided. A fully executed Promissory Note, as required by Section 202 of the OPA, had not been provided to demonstrate the amount of the original loan(s). In addition, when Kimco assumed the OPA as Participant, the outstanding principal balance on the loan was \$4,615,436 and it was unclear why the outstanding balance is currently \$5,700,930.

During the ROPS 14-15B meet and confer process, the Agency provided additional information and documentation, including the original promissory note and an amortization schedule. Based on our review, the outstanding balance of \$5,700,930 would be the balance at the end of the note term in 2020. As such, this item is an enforceable obligation and is eligible to receive \$641,277 in RPTTF funding for the ROPS 14-15B period.

- Item No. 151 – Westgate Remediation in the amount of \$5,700,000. Finance no longer denies this item. The Agency submitted oversight board (OB) resolution 2014-14 to Finance on November 23, 2014 pursuant to HSC section 34179 (h). The OB resolution was approved by Finance on December 17, 2014. Therefore, this item is an enforceable obligation and the Agency's request for \$220,000 for the ROPS 14-15B period RPTTF funding.
- Item Nos. 152 through 154 – City of Anaheim Cooperation/Loan Agreement repayments totaling \$5,248,464. Finance continues to deny these items. Pursuant to HSC section 34173 (h) the city, county, or city and county that authorized the creation of a redevelopment agency may loan or grant funds to a successor agency for administrative costs, enforceable obligations, or project-related expenses and are subject to the oversight and approval of the oversight board. While the OB did review and approve the loans via OB resolutions 2014-06 to 2014-08, as submitted to Finance on October 28, 2014, these OB resolutions were denied in various OB determination letters dated December 8, 2014. Therefore, these items are not enforceable obligations and are not eligible for RPTTF funding.
- Item No. 155 – City of Anaheim Cooperation/Loan Agreement repayment totaling \$953,404. Finance no longer denies this item; however, the approved amount is reduced to \$662,983. Pursuant to HSC section 34173 (h) the city, county, or city and county that authorized the creation of a redevelopment agency may loan or grant funds to a successor agency for administrative costs, enforceable obligations, or project-related expenses and are subject to the oversight and approval of the oversight board. While the OB did review and approve the loans via OB resolution 2014-09, as submitted to Finance on October 28, 2014, Finance only provided a partial approval of the OB resolution in the OB determination letter dated December 8, 2014. Therefore, this item is approved for \$662,983 in RPTTF funding and the remaining amount requested is denied.

- Item Number 156 – Administrative Cost Allowance to Housing Successor per AB 471 in the amount of \$2,500,000. Finance continues to deny this item. As previously determined in the ROPS 14-15A Meet and Confer letter to the Agency dated May 16, 2014, Finance denied this item because pursuant to HSC section 34171 (p), the housing entity administrative cost allowance is applicable only in cases where the city, county, or city and county that authorized the creation of the RDA elected to not assume the housing functions. Because the housing entity to the former RDA is the City-formed Housing Authority (Authority), and the Authority operates under the control of the City, the Authority is considered the City under Dissolution Law (ABx1 26 and AB 1484).

The Agency contends that the City elected not to retain the housing functions, but the Authority, as a separate legal entity from the City, did retain the housing functions pursuant to HSC section 34176 (b) and should therefore be eligible for the housing entity administrative allowance. However, pursuant to HSC section 34167.10 (a), the definition of “city” includes, but is not limited to, any reporting entity of the city for purposes of its comprehensive annual financial report (CAFR), any component unit of the city, or any entity controlled by the city or for which the city is financially responsible or accountable. HSC section 34167.10 (a) defines “city” for purposes of all of Dissolution Law, which includes HSC section 34171, as amended by AB 471, and HSC section 34176. The Authority is included in the City’s CAFR, which identifies the Authority as a component unit of the City and states that the component units are fiscally dependent on the City.

Although the Authority is a separate legal entity from the City, HSC section 34167.10 (c) states that it shall not be relevant that the entity is formed as a separate legal entity. It should also be noted that HSC section 34167.10 (c) goes on to state that “the provisions of this section are declarative of existing law as the entities described herein are and were intended to be included within the requirements of this part [Part 1.8] and Part 1.85...and any attempt to determine otherwise would thwart the intent of these two parts.” Therefore, based on our review, the City, by way of the Authority, elected to retain the housing functions pursuant to HSC section 34176 (a) and is not eligible for \$553,594 of housing entity administrative allowance.

- The Agency’s claimed administrative costs exceed the allowance by \$235,528. HSC section 34171 (b) limits the fiscal year 2014-15 administrative expenses to three percent of property tax allocated to the Agency or \$250,000, whichever is greater. The Orange County Auditor-Controller’s Office distributed \$403,287 in administrative costs for the July through December 2014 period, thus leaving a balance of \$387,419 for the January through June 2015 period. Although \$622,947 is claimed for administrative cost, only \$387,419 is available pursuant to the cap. Therefore, \$235,528 of excess administrative cost is not allowed.

In addition, per Finance’s letter dated November 25, 2014, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

- Item No. 60 – Low and Moderate Income Housing Fund (LMIHF) loan repayment for purposes of the Supplemental Education Revenue Augmentation Fund in the amount of \$1,002,436 is not allowed.

HSC section 34191.4 (b) (2) (A) allows this repayment to be equal to one-half of the increase between the ROPS residual pass-through distributed to the taxing entities in that fiscal year and the ROPS residual pass-through distributed to the taxing entities in the fiscal year 2012-13 base year.

According to the County Auditor-Controller's report, the amount distributed to the taxing entities for fiscal year 2012-13 and 2013-14 are \$11,254,030 and \$12,474,656, respectively. Therefore, pursuant to the repayment formula, the maximum repayment amount authorized for fiscal year 2014-15 is \$610,313. However, Finance approved \$610,313 in the ROPS 14-15A period (July through December 2014). Therefore, the \$1,002,436 requested for LMIHF loan repayment at this time is not allowed.

- Item No. 89 – Development and Disposition Agreement /Management and Operations Agreement in the amount of \$2,000,000 is partially approved. The Agency requests \$1,065,000, however, only \$1,027,600 is supported by the expense summary provided. To the extent the Agency can provide sufficient documentation to support the entire requested amount, the item may be eligible for additional funding on subsequent ROPS. Therefore, the excess, \$37,400 (\$1,065,000 - \$1,027,600) is not an enforceable obligation and is not eligible for RPTTF funding on this ROPS.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 14-15B form the estimated obligations and actual payments (prior period adjustments) associated with the January through June 2014 period. HSC section 34186 (a) also specifies prior period adjustments self-reported by successor agencies are subject to review by the county auditor-controller (CAC) and the State Controller. The amount of RPTTF approved in the table below includes the prior period adjustment resulting from the CAC's review of the Agency's self-reported prior period adjustment.

Except for the items denied in whole or in part, Finance is not objecting to the remaining items listed on your ROPS 14-15B. The Agency's maximum approved RPTTF distribution for the reporting period is \$13,062,297 as summarized in the Approved RPTTF Distribution Table on the following page:

Approved RPTTF Distribution	
For the period of January through June 2015	
Total RPTTF requested for non-administrative obligations	20,764,885
Total RPTTF requested for administrative obligations	622,947
Total RPTTF requested for obligations on ROPS	\$ 21,387,832
Total RPTTF requested for non-administrative obligations	20,764,885
Denied Items	
Item No. 60	(1,002,436)
Item No. 89	(37,400)
Item No. 152	(883,000)
Item No. 153	(884,429)
Item No. 154	(2,537,362)
Item No. 155	(290,421)
Item No. 156	(553,594)
	(6,188,642)
Total RPTTF authorized for non-administrative obligations	\$ 14,576,243
Total RPTTF requested for administrative obligations	622,947
Administrative costs in excess of the cap (see Admin Cost Cap table below)	(235,528)
Total RPTTF authorized for administrative obligations	\$ 387,419
Total RPTTF authorized for obligations	\$ 14,963,662
ROPS 13-14B prior period adjustment	(1,901,365)
Total RPTTF approved for distribution	\$ 13,062,297

Administrative Cost Cap Calculation	
Total RPTTF for 14-15A (July through December 2014)	12,443,620
Total RPTTF for 14-15B (January through June 2015)	14,576,243
Less approved unfunded obligations from prior periods	(662,983)
Total RPTTF for fiscal year 2014-2015	26,356,880
Allowable administrative cost for fiscal year 2014-15 (Greater of 3% or \$250,000)	790,706
Administrative allowance for 14-15A (July through December 2014)	403,287
Allowable RPTTF distribution for administrative cost for ROPS 14-15B	387,419
Total RPTTF administrative obligations after Finance adjustments	622,947
Administrative costs in excess of the cap	\$ (235,528)

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. During the ROPS 14-15B review, Finance requested financial records to support the cash balances reported by the Agency; however, the Agency was unable to support the amounts reported. The beginning balances for Reserve Balances, Other Funds, and RPTTF could not be supported by the Agency's financial records. As a result, Finance will continue to work with the Agency after the ROPS 14-15B review period to properly identify the Agency's cash balances. If it is determined the Agency possesses cash balances that are available to pay approved obligations, the Agency should request the use of these cash balances prior to requesting RPTTF in ROPS 15-16A.

Please refer to the ROPS 14-15B schedule that was used to calculate the approved RPTTF amount:

<http://www.dof.ca.gov/redevelopment/ROPS>

This is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2015. This determination only applies 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 the 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 agency in the RPTTF.

Pursuant to HSC section 34177 (a) (3), only those payments listed on an approved ROPS may be made by the successor agency from the funds specified in the ROPS. However, if for whatever reason the Agency needs to make payments for approved obligations from another funding source, HSC section 34177 (a) (4) requires the Agency to first obtain oversight board approval.

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 Danielle Brandon, Analyst, at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Acting Program Budget Manager

cc: Mr. Brad Hobson, Deputy Director, City of Anaheim
Mr. Frank Davies, Property Tax Manager, Orange County
California State Controller's Office