



November 6, 2014

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

Dear Mr. Vanderpool:

Subject: Recognized Obligation Payment Schedule

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 14-15B) to the California Department of Finance (Finance) on September 25, 2014 for the period of January 1 through June 30, 2015. Finance has completed its review of your ROPS 14-15B, which may have included obtaining clarification for various items.

Based on a sample of line items reviewed and application of the law, Finance made the following determinations:

- Item No. 6 – Jonathan Lehrer-Graiwer Judgment (Judgment) in the amount of \$103,824,908 is not allowed. Finance continues to deny this item. 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 redevelopment agency and therefore there is no obligation. Therefore, this item is not an enforceable obligation and is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.
- Item No. 62 – Property Re-Use Valuation Service fees in the amount of \$30,000 are partially approved. The Agency requests \$30,000; however, only \$20,000 is adequately supported. The Agency provided two professional service agreements which state the maximum compensation allowable is \$10,000, for a total of \$20,000. Therefore, the excess, \$10,000 (\$30,000-\$20,000) is not an enforceable obligation and is not eligible for RPTTF funding.
- Claimed administrative costs exceed the allowance by \$18,879. HSC section 34171 (b) limits fiscal year 2014-15 administrative expenses to three percent of property tax

allocated to the successor agency or \$250,000, whichever is greater. The Orange County Auditor-Controller's Office distributed \$281,774 for administrative costs for the July through December 2014 period, thus leaving a balance of \$87,057 available for the January through June 2015 period. Although \$252,434 is claimed for administrative costs, \$146,498 has been reclassified (see below), and only \$87,057 is available pursuant to the cap. Therefore, \$18,879 of excessive administrative cost is not allowed.

During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should be used prior to requesting RPTTF. Pursuant to HSC section 34177 (l) (1) (E), RPTTF may be used as a funding source, but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation. The Agency self-reported a balance of Other Funds in the amount of \$146,498 and no request exists for the use of these funds.

Therefore, with the Agency's concurrence, the funding source for the following item has been reclassified to Other Funds and in the amount specified below:

- Item No. 8 – Personnel and Operating Costs. The Agency requests \$217,434 from RPTTF; however, Finance is reclassifying \$146,498 to Other Funds. This item is an enforceable obligation for the ROPS 14-15B period. However, the obligation does not require payment from property tax revenues and the Agency has \$146,498 in available Other Funds. Therefore, Finance is approving RPTTF in the amount of \$70,936 and the use of Other Funds in the amount of \$146,498, totaling \$217,434.

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 audit 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 or for the item that has been reclassified, Finance is not objecting to the remaining items listed on your ROPS 14-15B. If you disagree with the determination with respect to any items on your ROPS 14-15B, 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 \$1,839,072 as summarized in the Approved RPTTF Distribution Table below:

Approved RPTTF Distribution	
For the period of January through June 2015	
Total RPTTF requested for non-administrative obligations	8,414,458
Total RPTTF requested for administrative obligations	252,434
Total RPTTF requested for obligations on ROPS	\$ 8,666,892
Total RPTTF requested for non-administrative obligations	8,414,458
<u>Denied Items</u>	
Item No. 6	(5,502,557)
Item No. 62	(10,000)
	(5,512,557)
Total RPTTF for non-administrative obligations	2,901,901
Total RPTTF authorized for non-administrative obligations	\$ 2,901,901
Total RPTTF requested for administrative obligations	252,434
<u>Reclassified Item</u>	
Item No. 8	(146,498)
	(146,498)
Administrative costs in excess of the cap (see Admin Cost Cap table below)	(18,879)
Total RPTTF authorized for administrative obligations	\$ 87,057
Total RPTTF authorized for obligations	\$ 2,988,958
ROPS 13-14B prior period adjustment	(1,149,886)
Total RPTTF approved for distribution	\$ 1,839,072

Administrative Cost Cap Calculation	
Total RPTTF for 14-15A (July through December 2014)	9,392,479
Total RPTTF for 14-15B (January through June 2015)	2,901,901
Less approved unfunded obligations from prior periods	
Total RPTTF for fiscal year 2014-2015	12,294,380
Allowable administrative cost for fiscal year 2014-15 (Greater of 3% or \$250,000)	368,831
Administrative allowance for 14-15A (July through December 2014)	281,774
Allowable RPTTF distribution for administrative cost for ROPS 14-15B	87,057
Total RPTTF administrative obligations after Finance adjustments	105,936
Administrative costs in excess of the cap	\$ (18,879)

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 and Other Funds 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>

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, 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 Nichelle Thomas, Supervisor or Erika Santiago, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Acting 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