



October 31, 2014

Mr. Steve Franks, Director, Orange County Community Resources  
Orange County  
1770 North Broadway  
Santa Ana, CA 92706

Dear Mr. Franks:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the Orange County Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15B) to the California Department of Finance (Finance) on September 18, 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. 2 – The Agency's claimed administrative costs exceed the allowance by \$82,766. HSC section 34171 (b) limits fiscal year 2014-2015 administrative expenses to three percent of property tax allocated to the successor agency or \$250,000, whichever is greater. As a result, the Agency is eligible for \$383,390 in administrative expenses. The Orange County Auditor-Controller's Office distributed \$141,500 in administrative costs for the July through December 2014 period, thus leaving a balance of \$241,890 available for the January through June 2015 period. Although \$264,656 is claimed for administrative costs, Item Nos. 5 and 6, general legal professional services agreements totaling \$60,000, are considered administrative expenses and should be counted toward the cap. Therefore, \$82,766 of excess administrative cost is not allowed.
- Item No. 41 – 2013 Tax Allocation Bond debt service payment in the amount of \$2,708,505 has been increased by \$45. Based on information provided by the Agency, the debt service payment for this item should be \$2,708,550. Therefore, with the Agency's concurrence, Finance has increased this item by \$45, to \$2,708,550.
- Item No. 42 – 2014 Tax Allocation Bond debt service payment in the amount of \$2,023,606 has been reduced by \$5,498. Based on information provided by the Agency, the debt service payment for this item should be \$2,018,108. Therefore, with the Agency's concurrence, Finance has reduced this item by \$5,498, to \$2,018,108.

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 audit of the Agency's self-reported prior period adjustment.

Except for the items that have been reclassified, or adjusted, 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/](http://www.dof.ca.gov/redevelopment/meet_and_confer/)

The Agency's maximum approved RPTTF distribution for the reporting period is \$8,841,432 as summarized in the Approved RPTTF Distribution Table below:

<b>Approved RPTTF Distribution For the period of January through June 2015</b>	
Total RPTTF requested for non-administrative obligations	8,821,861
Total RPTTF requested for administrative obligations	264,656
<b>Total RPTTF requested for obligations on ROPS</b>	<b>\$ 9,086,517</b>
<b>Total RPTTF requested for non-administrative obligations</b>	<b>8,821,861</b>
<u>Adjusted Items</u>	
Item No. 41	45
Item No. 42	(5,498)
	(5,453)
<u>Reclassified Items</u>	
Item No. 5	(30,000)
Item No. 6	(30,000)
	(60,000)
<b>Total RPTTF authorized for non-administrative obligations</b>	<b>\$ 8,756,408</b>
<b>Total RPTTF requested for administrative obligations</b>	<b>264,656</b>
<u>Reclassified Items</u>	
Item No. 5	30,000
Item No. 6	30,000
	60,000
Administrative costs in excess of the cap (see Admin Cost Cap table below)	(82,766)
<b>Total RPTTF authorized for administrative obligations</b>	<b>\$ 241,890</b>
<b>Total RPTTF authorized for obligations</b>	<b>\$ 8,998,298</b>
Total ROPS 13-14B PPA	(156,866)
<b>Total RPTTF approved for distribution</b>	<b>\$ 8,841,432</b>

<b>Administrative Cost Cap Calculation</b>	
Total RPTTF for 14-15A (July through December 2014)	4,023,275
Total RPTTF for 14-15B (January through June 2015)	8,756,408
<b>Total RPTTF for fiscal year 2014-2015</b>	<b>12,779,683</b>
Allowable administrative cost for fiscal year 2014-15 (Greater of 3% or \$250,000)	383,390
Administrative allowance for 14-15A (July through December 2014)	141,500
<b>Allowable RPTTF distribution for administrative cost for ROPS 14-15B</b>	<b>241,890</b>
Total RPTTF administrative obligations after Finance adjustments	324,656
<b>Administrative costs in excess of the cap</b>	<b>\$ (82,766)</b>

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. Jeff Kirkpatrick, Administrative Manager, Orange County  
Mr. Frank Davies, Property Tax Manager, Orange County  
California State Controller's Office