

REVISED

November 20, 2014

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

Dear Mr. Butzlaff:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Placentia Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15B) to the California Department of Finance (Finance) on September 30, 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 Nos. 6 and 7 – 132 Crowther Building Lease payments totaling \$75,000 are partially approved. It is our understanding the lease obligation expires March, 2015. However, the Agency requested funding for the entire 6 month ROPS period. While this agreement is an enforceable obligation, the total amount requested this ROPS period does not agree with the expiration of the lease agreements. Therefore, the excess, \$37,500 (\$75,000 - \$37,500) is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.
- Item No. 31 – Checking Account for the Agency in the amount of \$2,000. The Agency has advised Finance that this account has not yet been opened and, therefore, the request is not necessary. Therefore, as requested by the Agency, Finance has deleted the request for this ROPS period.
- Item No. 33 – 2003 Certificates of Participation, City of Placentia Reimbursement in the amount of \$188,144 is partially approved. The Agency requests funding for both the January 2015 and July 2015 payment. However, subsequent to the submission of the Agency's ROPS, the Agency determined the amount requested was in error. With the Agency's consent, Finance has reduced the amount requested to \$80,845. Therefore, the excess, \$107,299 (\$188,144 - \$80,845) is not eligible for RPTTF funding.

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 the 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.

Based on our review of the Agency's prior period adjustment reporting, Finance noted the following:

- The ROPS 13-14B Prior Period Adjustment worksheet reflects that the Agency received authorization for RPTTF. However, the Agency's ROPS 13-14B distribution was partially unfunded, and the Agency expended Other Funds. Therefore, expenditures of Other Funds exceeded Finance's authorization for the following items:
 - Other Funds totaling \$286,002 – Item No. 4, \$15,679; Item No. 6, \$7,500; Item No. 7, \$67,500; Item No. 15, \$193,073; and Item No. 19, \$2,250.

Per HSC section 34177 (a) (3), only those payments listed on ROPS may be made by the Agency from the funds specified on the ROPS. However, these items were determined to be enforceable obligations for the ROPS 14-15B period. Therefore, Finance is increasing the Agency's authorization for the ROPS 14-15B period to ensure that authorization is consistent with expenditures for the approved enforceable obligations. As Other Funds were previously expended, the increase in authorization should not result in increased expenditures for the current ROPS period, but should merely allow the Agency to reconcile actual expenditures to the authorization.

HSC sections 34177 (a) (4) and 34173 (h) provide mechanisms when Agency payments must exceed the amounts authorized by Finance. Please ensure the proper expenditure authority is received from your Oversight Board and Finance prior to making payments on enforceable obligations.

Except for items denied in whole or in part, 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 \$1,086,724 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	1,205,573
Total RPTTF requested for administrative obligations	27,950
Total RPTTF requested for obligations on ROPS	\$ 1,233,523
RPTTF adjustment to non-administrative obligations	(2,000)
Total RPTTF adjustments	\$ (2,000)
Total RPTTF requested for non-administrative obligations	1,203,573
<u>Denied Items</u>	
Item No. 6	(3,750)
Item No. 7	(33,750)
Item No. 33	(107,299)
	(144,799)
Total RPTTF authorized for non-administrative obligations	\$ 1,058,774
Total RPTTF authorized for administrative obligations	\$ 27,950
Total RPTTF authorized for obligations	\$ 1,086,724
Total RPTTF approved for distribution	\$ 1,086,724

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. The Agency was able to support the amounts reported except the beginning available balances as of January 1, 2014. 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 (j). 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.

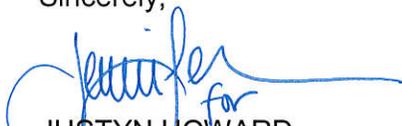
The amount available from the RPTTF is the same as the amount of property tax increment that was available prior to the enactment of ABx1 26 and AB 1484. This amount is not and never was an unlimited funding source. Therefore, as a practical matter, the ability to fund the items on the ROPS with property 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 Alexander Watt, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Acting 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