

April 3, 2015

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

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Anaheim Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 15-16A) to the California Department of Finance (Finance) on February 20, 2015 for the period of July 1 through December 31, 2015. Finance has completed its review of your ROPS 15-16A, 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. 52 – 2010 Taxable Recovery Zone Bonds debt service payment in the amount of \$173,098 is partially approved for the Redevelopment Property Tax Trust Fund (RPTTF) funding. This bond pertains to Taxable Recovery Zone Economic Development Bonds wherein it is entitled to an Internal Revenue Service (IRS) rebate of 45 percent interest. As tax incentives, a direct refundable credit payment is received from the Federal government that equals to a percentage of the interest payments on these bonds. The 45 percent IRS rebate must be funded by other revenue sources. This rebate is calculated at \$77,894, which should be listed as funded by Other Funds on the ROPS. Finance is approving RPTTF in the amount of \$95,204 and reclassified \$77,894 to Other Funds. Therefore, Finance is approving \$95,204 of the \$173,098 as eligible for RPTTF funding, for a total of \$173,098 (\$77,894 and \$95,204).
- Item No. 89 – Packing District Development and Disposition Agreement/Management and Operations Agreement in the amount of \$1,017,954 is partially approved. The Agency requests \$1,017,954; however, an adjustment of \$18,400 is necessary to agree with the provided expense summary. 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, \$18,400 (\$1,017,954 - \$999,554) is not eligible for RPTTF funding.
- Items Nos. 114 through 117 – Avon Dakota Revitalization and related costs totaling \$15,175,000 are not allowed. Finance continues to deny these items. It is our understanding that the parties referenced in the Neighborhood Revitalization Agreement (Agreement) dated June 1, 2010 and Amendment to the Agreement dated February 1, 2011 are between the Anaheim Housing Authority (Authority) and a third party. The former redevelopment agency is not a party to the Agreement. Therefore,

these items are not enforceable obligations and are not eligible for RPTTF funding on this ROPS.

- Item No. 155 – City of Anaheim Cooperation (City)/Loan Agreement repayment in the amount of \$294,021. Finance continues to deny this amount. Finance notes the requested amount was transposed with a difference of \$3,600 (\$294,021 - \$290,421). Pursuant to HSC section 34173 (h) the city, county, or city and county that authorized the creation of a redevelopment agency (RDA) 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 loan via Oversight Board (OB) Resolution No. 2014-09, as submitted to Finance October 28, 2014, Finance denied this portion of the loan in the OB determination letter dated December 8, 2014. Therefore, this item is not an enforceable obligation and is not eligible for RPTTF funding.
- Item Nos. 157 through 161 – ROPS II Expenditures in Excess of Authorized Estimates totaling \$290,421. Finance continues to deny these items, as previously discussed in Item NO. 155 above. Additionally, based on the review of the Agency's Prior Period Adjustment, Finance determined that the Agency inappropriately used distributed RPTTF for non-approved ROPS items. Pursuant to HSC section 34177 (a) (3), only those payments listed in the ROPS may be made by the Agency and only from the funds specified in the ROPS. Furthermore, pursuant to HSC section 34178 (a), the Agency or OB is not allowed to restore funding for an obligation that was denied by Finance. Therefore, these items are not enforceable obligations and are not eligible for RPTTF funding.
- Item Nos. 162 through 177 – ROPS III Expenditures in Excess of Authorized Estimates totaling \$2,639,449, funded by \$1,497,960 in RPTTF, \$671,815 in Other Funds, and \$469,674 in Reserve Balances. Finance continues to deny these items. These items were denied as a result of the review of OB Resolution No 2014-08 and Item No. 181, as discussed below. It is our understanding the Agency used funds already on hand to pay for obligations in excess of amounts approved by Finance for funding during the ROPS III period of January through June 2013. The Agency had moneys on hand generated from (a) collected rents and interest income and (b) surplus RPTTF that was not distributed to taxing entities. HSC section 34177 (l) (1) (E) states that RPTTF can be used, but only to the extent no other funding source is available prior to requesting RPTTF. In this case, the Agency had Other Funds available. Therefore, the request to replenish the Agency's Funds through the ROPS is not allowed, and these items are no longer eligible for funding.
- Item No. 178 – Expenditures in Excess of Authorized Estimates in the amount of \$334,511, funded by \$273,563 in Other Funds, \$60,948 in Reserve Balances. It is our understanding the Agency funded obligations in excess of the maximum amounts approved by Finance during ROPS 14-15A. Finance is allowing this item to ensure that authorization is consistent with expenditures for the approved obligations. As these Other Funds and Reserve Balances were previously expended, the Agency should reconcile the remaining total outstanding balance for this obligation accordingly. 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, up to the amount authorized by Finance. 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 in the future.

- Item Nos. 179, 180, and 181 – City Cooperation/Loan Agreement repayments totaling \$4,921,791. 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 RDA 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 OB. While the OB did review and approve the loans via OB Resolution Nos. 2014-06 through 2014-08, as submitted to Finance October 28, 2014, Finance denied these OB resolutions in our determination letters dated December 8, 2014. Therefore, these items are not enforceable obligations and are not eligible for Other Funds on the ROPS.
- Item Nos. 183 and 184 – Debt service reserve payments in the amount of totaling \$3,382,737 are not allowed. It is our understanding the Agency is requesting funding for payments due January through June 2016. The Agency requests Reserve Balances for these items. However, HSC section 34171 (d) (1) (A) allows successor agencies to hold a reserve for debt service payments when the next property tax allocation will be insufficient to pay all obligations due under the provisions of the bond for the next payment due in the following half of the *calendar* year. Therefore, the request to fund payments due for the first half of the calendar year is not allowed.
- Item Nos. 185 and 186 – Administrative Cost Allowance to Housing Successor per AB 471 totaling \$1,023,288 (\$469,694 and \$553,594, respectively). Finance continues to deny these items. Pursuant to HSC section 34171 (p), the housing successor administrative cost allowance is applicable only in cases where the city, county, or city and county that authorized the creation of the redevelopment agency elected to not assume the housing functions. Because the housing successor to the former redevelopment agency of the City is the City-formed Housing Authority and the Authority operates under the control of the City, the Authority is considered the City under Dissolution Law pursuant to HSC section 34167.10. Therefore, \$1,023,000 of housing successor administrative allowance is not allowed.

Various Items superseded – No funding requests are made on these items; however, with the Agency's consent, these items will be retired on ROPS 15-16A since they were superseded. Therefore, Finance has retired the items noted on the table below.

Item Nos. to Retire	Project Name / Debt Obligation	Description/Project Scope	Superseded by ROPS 15-16A Item Nos.
65	Plaza Redevelopment Project Area	Contracts: Owner Participation Agreement	150
88, 139, 146, and 153	Cooperation/Loan Agreement-34173(h) - Retroactive Payments	Packing District: Loan of funds for Alley/Parking Lots	180
97, 105, 140, 145, and 152	Cooperation/Loan Agreement-34173(h) - Retroactive Payments	Loans: Reimbursement for Homebuyer Loans from May 2013-December 2013	179
100	Westgate Remediation	Westgate: Settlement Agreement/Reimbursement	151
148 and 156	Administration Cost Allowance to Housing Successor Per AB 471	Legally enacted Administrative Allowance of RPTTF to Housing Successor	185 & 186
154	City Loan for Successor Agency Overspent Amount on Prior ROPS	City Loan to fund Successor Agency for overspent line items on prior ROPS period	181

- Claimed administrative costs exceed the allowance by \$155,523. HSC section 34171 (b) limits the fiscal year 2015-16 administrative expenses to three percent of property tax allocated to the Agency or \$250,000, whichever is greater. Although \$475,759 is claimed for administrative cost, only \$320,236 is available pursuant to the cap. Therefore, \$155,523 of excess 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 provided financial records that displayed available Other Funds in the amount of \$7,236,871. This amount was also reported by the Agency on ROPS 15-16A as cash available and have requested to use it on several ROPS items as a funding source prior to requesting RPTTF. However, Finance denied some of these items as noted above and have determined \$5,593,606 (\$7,236,871 - \$1,643,265) in Other Funds is now available for reclassification.

Therefore, the funding source for the following items has been reclassified to Other Funds and in the amounts specified below:

Item No.	Project Name/ Debt Obligation	ROPS 15-16A Amount of RPTTF Requested	Amount Reclassified to Other Funds
50	Tax Allocation Refunding Bonds	\$ 5,265,958	\$358,123
54	Fiscal Agent/Arbitrage Services	15,000	15,000
56	HUD 108 Loan-Capital Projects	437,858	437,858
58	HUD 108 Loan-Westgate	755,498	755,498
62	Project Management	20,000	20,000
63	External Project Costs	20,000	20,000
64	Plaza Redevelopment Project Area	20,000	20,000
66	River Valley Redevelopment Project Area	364,289	364,289
67	Fry's	304,378	304,378
68	Anaheim Westgate Center Project	94,501	94,501
70	8.9-acre SoCal Edison	253,905	253,905
71	Shoe City Lease	16,728	16,728
74	Project Management	20,000	20,000
75	External Project Costs	20,000	20,000
78	Property Management Services	485,000	485,000
79	Downtown Parking	700,000	700,000
80	Downtown Properties/CC&Rs	80,000	80,000
81	Project Management	100,000	100,000
84	Pre-Development/Const. Mgt. Agreement	100,000	100,000
86	DDA/Additional Capital Improvements	45,000	45,000
89	DDA/Mgt. and Operations Agreement	1,017,954	999,554
90	DDA/Mgt. and Operations Agreement	55,500	55,500
91	Project Management	100,000	100,000
92	External Project Costs	50,000	50,000
96	Colony Park Phase IV	50,000	50,000
98	Project Management	100,000	100,000
99	External Project Costs	5,000	5,000
106	Project Management	23,272	23,272
	<b>Total</b>	<b>\$ 10,559,841</b>	<b>\$5,593,606</b>

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 15-16A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 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.

Ms. Stacey Shokri

April 3, 2015

Page 6

Except for the items denied in whole or in part or items that have been reclassified, Finance is not objecting to the remaining items listed on your ROPS 15-16A. If you disagree with the determination with respect to any items on your ROPS 15-16A, 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 \$3,294,710 as summarized in the Approved RPTTF Distribution table below:

<b>Approved RPTTF Distribution</b>	
<b>For the period of July through December 2015</b>	
Total RPTTF requested for non-administrative obligations	15,858,629
Total RPTTF requested for administrative obligations	475,759
<b>Total RPTTF requested for obligations on ROPS</b>	<b>\$ 16,334,388</b>
<b>Total RPTTF requested for non-administrative obligations</b>	<b>15,858,629</b>
<u>Denied Items</u>	
Item No. 89	(18,400)
Item No. 114	(2,000,000)
Item No. 115	(20,000)
Item No. 116	(20,000)
Item No. 117	(20,000)
Item No. 155	(294,021)
Item No. 157	(298)
Item No. 158	(112,751)
Item No. 159	(169,166)
Item No. 160	(1,456)
Item No. 161	(6,750)
Item No. 162	(393,636)
Item No. 163	(373,240)
Item No. 164	(298,924)
Item No. 165	(85,910)
Item No. 166	(239,533)
Item No. 167	(508)
Item No. 168	(24,972)
Item No. 169	(11,708)
Item No. 170	(23,797)
Item No. 171	(45,732)
Item No. 185	(469,694)
Item No. 186	(553,594)
	(5,184,090)
<u>Reclassified Item</u>	
Item No. 52	(77,894)
	<b>\$ 10,596,645</b>
<u>Cash Balances - Items reclassified to Other Funds</u>	
See Attachment A for the summary	(5,593,606)
<b>Total RPTTF authorized for non-administrative obligations</b>	<b>\$ 5,003,039</b>
<b>Total RPTTF requested for administrative obligations</b>	<b>475,759</b>
Administrative costs in excess of the cap (see Admin Cost Cap table below)	(155,523)
<b>Total RPTTF authorized for administrative obligations</b>	<b>\$ 320,236</b>
<b>Total RPTTF authorized for obligations</b>	<b>\$ 5,323,275</b>
ROPS 14-15A prior period adjustment	(2,028,565)
<b>Total RPTTF approved for distribution</b>	<b>\$ 3,294,710</b>
<b>Administrative Cost Cap Calculation</b>	
Total RPTTF for non-administrative obligations	10,674,539
Percent allowed pursuant to HSC section 34171 (b)	3%
<b>Total RPTTF allowable for administrative obligations</b>	<b>320,236</b>
Total RPTTF administrative obligations after Finance adjustments	475,759
<b>Administrative costs in excess of the cap</b>	<b>\$ (155,523)</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 15-16A 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 Agency insisted that the bridging document prepared for ROPS 14-15B was completed and no bridging document is prepared for ROPS 15-16A. Furthermore, Agency stated that the ending balances on the ROPS 14-15B bridging document were transferred as the beginning balances for ROPS 15-16A. However, the ending balances from the ROPS 14-15B bridging document did not match the beginning balances reported in ROPS 15-16A Cash Balance Form. As a result, Finance will continue to work with the Agency after the ROPS 15-16A 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 15-16B.

Please refer to the ROPS 15-16A 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 July 1 through December 31, 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 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.

Ms. Stacey Shokri  
April 3, 2015  
Page 9

Please direct inquiries to Nichelle Thomas, Supervisor or Medy Lamorena, Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD  
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

**Approved RPTTF Distribution Amount  
For the period of July through December 2015  
Summary of Cash Balances Items Reclassified to Other Funds**

Cash Balances - Items reclassified to Other Funds	
Item No. 50	\$ 358,123
Item No. 54	15,000
Item No. 56	437,858
Item No. 58	755,498
Item No. 62	20,000
Item No. 63	20,000
Item No. 64	20,000
Item No. 66	364,289
Item No. 67	304,378
Item No. 68	94,501
Item No. 70	253,905
Item No. 71	16,728
Item No. 74	20,000
Item No. 75	20,000
Item No. 78	485,000
Item No. 79	700,000
Item No. 80	80,000
Item No. 81	100,000
Item No. 84	100,000
Item No. 86	45,000
Item No. 89	999,554
Item No. 90	55,500
Item No. 91	100,000
Item No. 92	50,000
Item No. 96	50,000
Item No. 98	100,000
Item No. 99	5,000
Item No. 106	23,272
<b>Total Cash Balances - Items reclassified to Other Funds</b>	<b>\$ (5,593,606)</b>