



November 5, 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) (1) (A), the City of Anaheim Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule for the period January 1 through June 30, 2016 (ROPS 15-16B) to the California Department of Finance (Finance) on September 22, 2015. Finance has completed its review of the ROPS 15-16B.

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 \$403,097 has been adjusted. This item is a Taxable Recovery Zone Economic Development Bond, wherein it is entitled to an Internal Revenue Service (IRS) rebate of 45 percent interest (Rebate). As tax incentives, a direct refundable credit payment is received from the Federal government that equals a percentage of the interest payments on these bonds. The IRS Rebate must be funded by other revenue sources.

It is also our understanding that pursuant to the requirements of the Balanced Budget and Emergency Deficit Control Act of 1985, certain automatic reductions to the refundable credits under IRS Code section 6431 will apply and would reduce the refundable credit payment by 6.8 percent, known as the sequestration reduction rate. This rebate is calculated at \$72,597 (\$77,894 - \$5,297), and the Agency should request a portion from Other Funds on the ROPS. Therefore, with the Agency's consent, Finance approves \$330,500 from the Redevelopment Property Tax Trust Fund (RPTTF), and reclassifies \$72,597 to Other Funds, for a total of \$403,097 for this obligation.

- Item Nos. 114 through 117 – Avon Dakota Revitalization and related costs in the amount of \$2,276,000 requested for ROPS 15-16B and total outstanding balance of \$15,385,000 are not allowed. Finance continues to deny these items. It is our understanding the parties referenced in the Neighborhood Revitalization Agreement (Agreement) dated June 1, 2010 and the 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 totaling \$2,276,000 on this ROPS.

- Item No. 142 – Litigation Expenses totaling \$180,000. At the Agency's request, Finance has reduced the requested amount from \$60,000 to zero for ROPS 15-16B period. Therefore, this item is not eligible for RPTTF funding in the amount of \$60,000 on this ROPS.
- Item No. 149 – Colony Cooperation Agreement in the amount of \$500,000 requested for ROPS 15-16B and a total outstanding balance of \$9,500,000 is not allowed. The Agency was unable to provide a valid contract or agreement to support the \$500,000 requested from RPTTF. To the extent the Agency can provide sufficient documentation, such as an executed contract or vendor invoices to support the requested funding, the Agency may be able to obtain RPTTF funding on future ROPS.
- Item Nos. 168, and 174 through 176 – ROPS III Expenditures in Excess of Authorized Estimates totaling \$96,022. Finance continues to deny these items. The Agency claims the amounts requested for these items are the incremental differences between the amounts approved on ROPS III and the actual amounts expended in the ROPS III period. Our review also revealed that the Agency erroneously requested RPTTF for items that were due during the ROPS III period during ROPS II. Additionally, during the Meet and Confer process, based on supporting documentation provided by the Agency, these items did not meet the criteria to be enforceable obligations. Therefore, these items are not eligible for RPTTF funding in the amount of \$96,022 on this ROPS.
- Item No. 178 – Expenditure in Excess of Authorized Estimates in the amount of \$273,563. The Agency states this item represents a shortage in Other Funds the Agency did not receive as a result of the Meet and Confer review during ROPS 15-16A. However, based on our calculations, this amount was approved on ROPS 15-16A and was fully funded by Other Funds. Therefore, the request to replenish the shortage is not allowed, and the item is not eligible for RPTTF funding in the amount of \$273,563 on this ROPS.
- Item Nos. 179 and 180 – City of Anaheim (City) Cooperation/Loan Agreements totaling \$2,384,429. 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 (RDA) may loan or grant funds to an 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 on 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 RPTTF funding totaling \$2,384,429 on this ROPS.

- Item No. 186 – Administrative Cost Allowance to Housing Successor per AB 471 in the amount of \$1,023,000 requested for ROPS 15-16B and total outstanding balance of \$2,500,000 is not allowed. Finance continues to deny this item. 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.

- Item No. 189 – Expenditure in Excess of Authorized Estimates in the amount of \$27,931. The Agency states the requested amount reflects a correction to the amount claimed by the Agency in ROPS 15-16A. However, this item relates to Item Nos. 114 through 117, the Avon Dakota Revitalization project, denied as enforceable obligations. Therefore, this item is also considered unenforceable, and is not eligible for RPTTF funding in the amount of \$27,931 on this ROPS.
- Claimed administrative costs exceed the allowance by \$201,415. HSC section 34171 (b) (2) limits the fiscal year 2015-16 administrative expenses to three percent of the RPTTF allocated or \$250,000, whichever is greater. The Orange County Auditor-Controller distributed \$362,089 in administrative costs for the July through December ROPS 15-16A period, leaving a balance of \$592,692 available for the January through June ROPS 15-16B period. Although \$794,107 is claimed for administrative cost, only \$592,692 is available pursuant to the cap. Therefore, \$201,415 of excess administrative cost is not allowed.

Pursuant to HSC section 34186 (a) (1), the Agency was required to report on the ROPS 15-16B form the estimated obligations versus actual payments (prior period adjustment) associated with the January through June 2015 period (ROPS 14-15B). HSC section 34186 (a) (1) also specifies the prior period adjustment self-reported by the Agency is subject to review by the county auditor-controller (CAC). 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 the item that has been reclassified, Finance is not objecting to the remaining items listed on your ROPS 15-16B. If you disagree with Finance's determination with respect to any items on your ROPS 15-16B, except for those items which are the subject of litigation disputing Finance's previous or related determinations, 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 \$18,248,637 as summarized in the Approved RPTTF Distribution table below:

<b>Approved RPTTF Distribution</b>	
<b>For the period of January through June 2016</b>	
Total RPTTF requested for non-administrative obligations	26,470,240
Total RPTTF requested for administrative obligations	794,107
<b>Total RPTTF requested for obligations on ROPS 15-16B</b>	<b>\$ 27,264,347</b>
<b>Total RPTTF requested for non-administrative obligations</b>	<b>26,470,240</b>
<u>Denied Items</u>	
Item No. 114	(2,221,000)
Item No. 116	(25,000)
Item No. 117	(30,000)
Item No. 142	(60,000)
Item No. 149	(500,000)
Item No. 168	(24,972)
Item No. 174	(27,931)
Item No. 175	(24,030)
Item No. 176	(19,089)
Item No. 178	(273,563)
Item No. 179	(1,500,000)
Item No. 180	(884,429)
Item No. 186	(1,023,288)
Item No. 189	(27,931)
	(6,641,233)
<u>Reclassified Item</u>	
Item No. 52	(72,597)
<b>Total RPTTF authorized for non-administrative obligations</b>	<b>\$ 19,756,410</b>
<b>Total RPTTF requested for administrative obligations</b>	<b>794,107</b>
Administrative costs in excess of the cap (see Admin Cost Cap table below)	(201,415)
<b>Total RPTTF authorized for administrative obligations</b>	<b>\$ 592,692</b>
<b>Total RPTTF authorized for obligations</b>	<b>\$ 20,349,102</b>
ROPS 14-15B prior period adjustment	(2,100,465)
<b>Total RPTTF approved for distribution</b>	<b>\$ 18,248,637</b>
<b>Administrative Cost Cap Calculation</b>	
Total RPTTF for 15-16A (July through December 2015)	12,069,633
Total RPTTF for 15-16B (January through June 2016)	19,756,410
<b>Total RPTTF for fiscal year 2015-2016</b>	<b>31,826,043</b>
Administrative cost cap for fiscal year 2015-16 (Greater of 3% of Total RPTTF or \$250,000)	954,781
Administrative allowance for ROPS 15-16A (July through December 2015)	(362,089)
<b>Remaining administrative cost cap for ROPS 15-16B</b>	<b>592,692</b>
<b>Administrative costs in excess of the cap</b>	<b>\$ 201,415</b>

On the ROPS 15-16B form, the Agency reported cash balances and activity for the period January 1 through December 31, 2015. Finance will perform a review of the Agency's self-reported cash balances on an ongoing basis. Please be prepared to submit financial records and bridging documents to support the cash balances reported upon request. If it is determined the Agency possesses cash balances that are available to pay approved obligations, HSC section 34177 (l) (1) (E) requires these balances be used prior to requesting RPTTF.

Please refer to the ROPS 15-16B schedule used to calculate the total RPTTF approved for distribution:

<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, 2016. This determination only applies to items when 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 ROPS periods. All items listed on a future ROPS are subject to review and may be denied even if it was not denied on this ROPS or a preceding ROPS. The only exception is for items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (j). Finance's review of Final and Conclusive items 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 available prior to the enactment of the redevelopment dissolution statutes. 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.

Please direct inquiries to Nichelle Thomas, Supervisor, or Medy Lamorena, Lead 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