



December 17, 2015

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

Dear Mr. Vanderpool:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated November 5, 2015. 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 15-16B) to Finance on September 24, 2015, for the period of January 1 through June 30, 2016. Finance issued a ROPS determination letter on November 5, 2015. Subsequently, the Agency requested a Meet and Confer session on one or more of the determinations made by Finance. The Meet and Confer session was held on November 17, 2015.

Based on a review of additional information and documentation provided to Finance during the Meet and Confer process, Finance has completed its review of the specific determinations being disputed.

- Item No. 51 – Property Maintenance/Repairs for emergency repair contingencies in the amount of \$20,000 requested for ROPS 15-16B and total outstanding balance of \$190,000 is not allowed. Finance continues to deny this item. Finance initially denied this item because it was our understanding that there is no expenditure contract in place, and allocating funds for unknown contingencies is not an allowable use of funds. During the Meet and Confer process, the Agency contended that the costs to maintain the 10 properties remaining vary from month to month depending on unforeseen repairs. However, Finance notes that Item No. 49 is also related to property maintenance and a review of the prior period adjustments on prior ROPS indicates that the Agency has not expended even half of the amount requested for either Item Nos. 49 or 51 when the Agency had more properties to maintain. Therefore, the amount requested for Item No. 49 should be sufficient to complete any necessary maintenance and repairs and Item No. 51 in the amount of \$20,000 is not an enforceable obligation and is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.
- Item No. 62 – Property Re-use Valuation Services for Property Dispositions in the amount of \$15,000 is not allowed. Finance continues to deny this item. Finance approved the Agency's Long-Range Property Management Plan in our letter dated April 23, 2015. Finance initially denied this item because the Agency was unable to

provide sufficient documentation demonstrating the need for property re-use valuation services. During the Meet and Confer process, the Agency contended that these services are necessary to review feasibility and business plans from interested buyers and to prepare re-use valuations for each of the properties based on proposed use and zoning. However, HSC section 34177.3 (b) states that, unless required by an enforceable obligation, the work of winding down a redevelopment agency does not include planning and other similar work. The types of services requested are related to planning; therefore, this item is not an enforceable obligation and is not eligible for RPTTF funding. However, Finance notes that such services may be considered professional administrative services that may be paid from the approved administrative cost allowance for the ROPS 15-16B.

In addition, per Finance's letter dated November 5, 2015, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

- Item No. 6 – Jonathan Lehrer-Graiwer Judgment (Judgment) in the amount of \$5,502,557 requested for ROPS 15-16B and total outstanding balance 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 RPTTF funding in the amount of \$5,502,557 on this ROPS.
- Item No. 22 – Bond Consulting Services in the amount of \$20,000 has been adjusted. At the Agency's request, Finance has reduced this item by \$12,500. Therefore, Finance is approving RPTTF in the amount of \$7,500 for this item on the ROPS.
- Item No. 25 – Legal Services – Special Counsel in the amount of \$50,000. According to the Agency, the item is winding down and Legal Services will no longer be required as of next year. Therefore, at the Agency's request, Finance is approving no RPTTF and retiring this line item on the ROPS.
- The Agency's claimed administrative costs exceed the allowance by \$217,951. HSC section 34171 (b) (2) limits the fiscal year 15-16 administrative expenses to three percent of the RPTTF allocated or \$250,000, whichever is greater. The Orange County Auditor-Controller distributed \$250,000 for the July through December 2015 period, leaving a balance of \$22,227 available for the January through June 2016 period. Although \$240,178 is claimed for administrative cost, only \$22,227 is available pursuant to the cap. Therefore, \$217,951 of excess administrative costs 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 funding 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, Finance is not objecting to the remaining items listed on your ROPS 15-16B. The Agency's maximum approved RPTTF distribution for the reporting period is \$1,955,231 as summarized in the Approved RPTTF Distribution table below:

Approved RPTTF Distribution	
For the period of January through June 2016	
Total RPTTF requested for non-administrative obligations	8,005,922
Total RPTTF requested for administrative obligations	240,178
Total RPTTF requested for obligations on ROPS 15-16B	\$ 8,246,100
Total RPTTF requested for non-administrative obligations	8,005,922
<u>Denied Items</u>	
Item No. 6	(5,502,557)
Item No. 22	(12,500)
Item No. 25	(50,000)
Item No. 51	(20,000)
Item No. 62	(15,000)
	(5,600,057)
Total RPTTF authorized for non-administrative obligations	\$ 2,405,865
Total RPTTF requested for administrative obligations	240,178
Administrative costs in excess of the cap (see Admin Cost Cap table below)	(217,951)
Total RPTTF authorized for administrative obligations	\$ 22,227
Total RPTTF authorized for obligations	\$ 2,428,092
ROPS 14-15B prior period adjustment	(472,861)
Total RPTTF approved for distribution	\$ 1,955,231

Administrative Cost Cap Calculation	
Total RPTTF for 15-16A (July through December 2015)	6,668,355
Total RPTTF for 15-16B (January through June 2016)	2,405,865
Less approved unfunded obligations from prior periods	0
Total RPTTF for fiscal year 2015-2016	9,074,220
Administrative cost cap for fiscal year 2015-16 (Greater of 3% of Total RPTTF or \$250,000)	272,227
Administrative allowance for ROPS 15-16A (July through December 2015)	(250,000)
Remaining administrative cost cap for ROPS 15-16B	22,227
ROPS 15-16B administrative obligations after Finance adjustments	(240,178)
Administrative costs in excess of the cap	\$ (217,951)

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>

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 (i). 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 Evelyn Suess, Dispute Resolution Supervisor, or Mary Halterman, Analyst, at (916) 445-3274.

Sincerely,



JUSTYN HOWARD
Program Budget Manager

cc: Mr. Scott Riordan, Economic Development Manager, City of Buena Park
Mr. Frank Davies, Property Tax Manager, Orange County