



December 17, 2015

Mr. Andrew Ho, Director of Community Development
City of La Habra
201 East La Habra Boulevard
La Habra, CA 90631

Dear Mr. Ho:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated November 19, 2015. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of La Habra Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 15-16B) to Finance on October 5, 2015, for the period of January 1 through June 30, 2016. Finance issued a ROPS determination letter on November 19, 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 December 3, 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 Nos. 1 through 6 – 1998 Certificates of Participation (COP) Series B and C, debt service principal and interest payments. Finance approves the principal and interest payments required under the Loan Agreement dated September 15, 1998, between the former Redevelopment Agency and the City of La Habra (City) as the enforceable obligation. Finance has determined that only the principal and interest payments required by the Loan Agreement are allowed as the enforceable obligation and the COP is not an enforceable obligation of the Agency. In order for the Loan Agreement to be an enforceable obligation pursuant to HSC section 34171 (d) (2), it must be entered into at the time of issuance and solely for the purpose of securing or repaying those indebtedness obligations. Therefore, Finance will approve Item Nos. 1 and 2 as these items are solely for the purpose of securing or repaying the indebtedness obligation, which is the COP. Finance is denying and retiring Item Nos. 5 and 6 as these items do not meet the requirements of HSC section 34171 (d) (2). According to the Loan Agreement's payment schedule, the amount due on February 15, 2016, is \$70,175 of interest. As such, Finance approves the requested funding for Item No. 2 totaling \$70,175.

Additionally, Finance is approving Item Nos. 34 through 38 – Various ROPS period shortfalls of principal and interest payments related to the Loan Agreement, which went unfunded or denied in ROPS 14-15A, ROPS 14-15B, and ROPS 15-16A, totaling \$851,357. (See table below.) However, because these are one-time payments rather than recurring payments or payments expected to be made over time, Finance is retiring these items on the ROPS as well.

ROPS 14-15A		ROPS 14-15B		ROPS 15-16A	
principal	interest	principal	interest	principal	interest
\$310,000	\$59,743	n/a	\$78,307	\$325,000	\$78,307

In addition, per Finance's letter dated November 19, 2015, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

- Item No. 16 – Owner Participation Agreement, Marketplace Property Tax in the amount of \$398,935 requested for ROPS 15-16B and total outstanding obligation in the amount of \$1,664,978 is not allowed. It is our understanding the payment for this obligation is due October of each year. Furthermore, Finance approved, and the Agency received, sufficient RPTTF during the ROPS 15-16A period. Therefore, this item is not eligible for Other Funds in the amount of \$44,165 or RPTTF funding in the amount of \$354,770 on this ROPS.
- Item No. 39 – Twenty Percent Set-Aside in the amount of \$26,374 is not allowed. HSC section 34191.4 (b) (3) (C) requires that twenty percent of any loan repayment shall be deducted from the loan repayment amount and transferred to the Low and Moderate Income Housing Asset Fund. Because the City is the recipient of the loan repayments, this is an obligation of the City, and not the Agency.

However, Finance notes the Agency is still eligible to receive \$26,374 for loan repayments pursuant to HSC section 34191.4 (b). Therefore, Finance has increased the amount of RPTTF for Item No. 18 from \$731,377 to \$757,751 to allow the Agency to receive the full repayment amount allowable pursuant to the formula.

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 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 items that have been reclassified, 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 \$2,026,675 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	2,317,082
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations on ROPS 15-16B	\$ 2,442,082
RPTTF adjustment to non-administrative obligations	
Item No. 18	26,374
	26,374
Total RPTTF requested for non-administrative obligations	2,343,456
<u>Denied Items</u>	
Item No. 16	(354,770)
Item No. 39	(26,374)
	(381,144)
Total RPTTF authorized for non-administrative obligations	\$ 1,962,312
Total RPTTF requested for administrative obligations	125,000
Total RPTTF authorized for administrative obligations	\$ 125,000
Total RPTTF authorized for obligations	\$ 2,087,312
ROPS 14-15B prior period adjustment	(60,637)
Total RPTTF approved for distribution	\$ 2,026,675

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.

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Please direct inquiries to Evelyn Sues, Dispute Resolution Supervisor, or Mary Halterman, Analyst, at (916) 445-3274.

Sincerely,



JUSTYN HOWARD
Program Budget Manager

cc: Mr. John Balderas, Senior Accountant, City of La Habra
Mr. Frank Davies, Property Tax Manager, Orange County