



October 22, 2015

Ms. Lisa Kim, Senior Project Manager  
City of Orange  
230 East Chapman Avenue  
Orange, CA 92866

Dear Ms. Kim:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m) (1) (A), the Orange City 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 10, 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. 28 and 106 – Various Metro Link Lemon Street Parking Project obligations totaling \$1,192,843, payable from various funding sources. Finance notes the Agency requested \$60,000 from the Redevelopment Property Tax Trust Fund (RPTTF) to pay structure design costs. However, the Metro Link Lemon Street Parking Project is funded, in part, with grant funds. Therefore, with the Agency's consent, the funding source has been changed to Other Funds.

Finally, the Agency submitted Oversight Board resolutions for the contracts associated with these items on October 15, 2015. To the extent those contracts are approved by Finance, the Agency will be permitted to pay these costs.

- Item No. 113 – Emergency Repairs for Agency Assets for future repairs in the amount of \$25,000 requested for ROPS 15-16B and the total outstanding amount of \$50,000 is not allowed. The Agency stated the request was for emergency repairs that may or may not be necessary. However, no contracts are available to support the item as an enforceable obligation. To the extent the Agency can provide suitable documentation, such as the executed contract, to support the requested funding, the Agency may be able to obtain RPTTF on future ROPS.
- Claimed administrative costs exceed the allowance by \$7,834. HSC section 34171 (b) limits the fiscal year 2015-2016 administrative expenses to three percent of property tax allocated to the Agency or \$250,000, whichever is greater. The Orange County Auditor-Controller's Office distributed \$250,000 for the July through December 2015 period, thus leaving a balance of \$0 available for the January through June 2016 period. Although \$7,834 is claimed for administrative cost, \$0 is available pursuant to the cap. Therefore, \$7,834 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, 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 \$40,848 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	2,096,180
Total RPTTF requested for administrative obligations	7,834
<b>Total RPTTF requested for obligations on ROPS 15-16B</b>	<b>\$ 2,104,014</b>
<b>Total RPTTF requested for non-administrative obligations</b>	<b>2,096,180</b>
<b>Denied Item</b>	
Item No. 113	(25,000)
	(25,000)
<b>Reclassified Item</b>	
Item No. 106	(60,000)
	(60,000)
<b>Total RPTTF authorized for non-administrative obligations</b>	<b>\$ 2,011,180</b>
<b>Total RPTTF requested for administrative obligations</b>	<b>7,834</b>
Administrative costs in excess of the cap (see Admin Cost Cap table below)	(7,834)
<b>Total RPTTF authorized for administrative obligations</b>	<b>\$ 0</b>
<b>Total RPTTF authorized for obligations</b>	<b>\$ 2,011,180</b>
ROPS 14-15B prior period adjustment	(1,970,332)
<b>Total RPTTF approved for distribution</b>	<b>\$ 40,848</b>

<b>Administrative Cost Cap Calculation</b>	
Total RPTTF for 15-16A (July through December 2015)	6,245,843
Total RPTTF for 15-16B (January through June 2016)	2,011,180
Less approved unfunded obligations from prior periods	0
<b>Total RPTTF for fiscal year 2015-2016</b>	<b>8,257,023</b>
Administrative cost cap for fiscal year 2015-16 (Greater of 3% of Total RPTTF or \$250,000)	250,000
Administrative allowance for ROPS 15-16A (July through December 2015)	(250,000)
<b>Remaining administrative cost cap for ROPS 15-16B</b>	<b>0</b>
ROPS 15-16B administrative obligations after Finance adjustments	(7,834)
<b>Administrative costs in excess of the cap</b>	<b>\$ (7,834)</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 (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 Nichelle Thomas, Supervisor or Alexander Watt, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD  
Program Budget Manager

cc: Mr. Rick Otto, Assistant City Manager, Orange City  
Mr. Frank Davies, Property Tax Manager, Orange County