DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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November 16, 2015

Ms. Susan Gorospe, Senior Management Analyst
City of Santa Ana
60 Civic Center Plaza, M-25
Santa Ana, CA 92701

Dear Ms. Gorospe:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m) (1) (A), the City of Santa Ana 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 October 4, 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. 70 – Habitat for Humanity Disposition and Development Agreement in the amount of $854,199 has been adjusted. Based on our review of Agency project records, it is our understanding the requested amount will exceed the settlement's full funding for this project by $200,242. Therefore, Finance approves $ $653,397 ($854,199 - $200,242) in Reserve Balances for this ROPS period.

- Item No. 129 – Housing Entity Administrative Cost Allowance in the amount of $300,000 requested for ROPS 15-16B and total outstanding obligation in the amount of $600,000. 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 (RDA) elected to not assume the housing functions. Because the housing successor to the former RDA of the City of Santa Ana (City) is the City-formed Housing Authority (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, $300,000 of housing successor administrative allowance is not allowed.

- Item Nos. 130-159 – Unfunded HSC 33607.7 Pass-Through Payments totaling $4,989,859 are not allowed. The Agency was unable to provide sufficient documentation to support these items as an enforceable obligation. It is our understanding these items represents demands from the taxing entities for statutory pass-through payments triggered by the former RDA's Ordinance No. NS-2809 to eliminate the time limit for incurring indebtedness for two component project areas: Central City and Inter-City, retroactive to fiscal year 2004-05 through fiscal year 2010-11.

Furthermore, at the request of the Agency and the Oversight Board, the Orange County Auditor-Controller (CAC) reviewed the demands, and expressed no opinion as to whether or not these statutory pass-through payments are owed to the taxing entities.

To the extent the Agency can provide suitable documentation to support these items as enforceable, such as settlement agreements between the Agency and the taxing entities, or concurrence by the CAC, these items may become enforceable and eligible for funding in future ROPS periods. Therefore, these items are not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding at this time.

- The Agency's claimed administrative costs exceed the allowance by $158,696. 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 CAC distributed $280,703 administrative costs for the July through December ROPS 15-16A period, thus leaving a balance of $111,060 available for the January through June ROPS 15-16B period. Although $269,756 is claimed for administrative cost, only $111,060 is available pursuant to the cap. Therefore, $158,696 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 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/

The Agency's maximum approved RPTTF distribution for the reporting period is $3,118,897 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		8,991,852
Total RPTTF requested for administrative obligations		269,756
Total RPTTF requested for obligations on ROPS 15-16B	**$**	**9,261,608**
Total RPTTF requested for non-administrative obligations		**8,991,852**
Denied Items		
Item No. 129		(300,000)
Item No. 130		(709,386)
Item No. 131		(246,518)
Item No. 132		(79,117)
Item No. 133		(61,154)
Item No. 134		(103,604)
Item No. 135		(11,700)
Item No. 136		(1,989)
Item No. 137		(4,469)
Item No. 138		(436)
Item No. 139		(11,228)
Item No. 140		(28,998)
Item No. 141		(1,718,479)
Item No. 142		(255,553)
Item No. 143		(420,026)
Item No. 144		(108,668)
Item No. 145		(16,386)
Item No. 146		(235,995)
Item No. 147		(82,024)
Item No. 148		(26,321)
Item No. 149		(20,345)
Item No. 150		(662)
Item No. 151		(1,487)
Item No. 152		(161)
Item No. 153		(3,736)
Item No. 154		(556,237)
Item No. 155		(106,123)
Item No. 156		(122,316)
Item No. 157		(15,448)
Item No. 158		(35,858)
Item No. 159		(5,435)
		(5,289,859)
Total RPTTF authorized for non-administrative obligations	**$**	**3,701,993**
Total RPTTF requested for administrative obligations		**269,756**
Administrative costs in excess of the cap (see Admin Cost Cap table below)		(158,696)
Total RPTTF authorized for administrative obligations	**$**	**111,060**
Total RPTTF authorized for obligations	**$**	**3,813,053**
ROPS 14-15B prior period adjustment		(694,156)
Total RPTTF approved for distribution	**$**	**3,118,897**

Administrative Cost Cap Calculation	
Total RPTTF for 15-16A (July through December 2015)	9,356,765
Total RPTTF for 15-16B (January through June 2016)	3,701,993
Less approved unfunded obligations from prior periods	
Total RPTTF for fiscal year 2015-2016	**13,058,758**
Administrative cost cap for fiscal year 2015-16 (Greater of 3% of Total RPTTF or $250,000)	391,763
Administrative allowance for ROPS 15-16A (July through December 2015)	(280,703)
Remaining administrative cost cap for ROPS 15-16B	**111,060**
ROPS 15-16B administrative obligations after Finance adjustments	(269,756)
Administrative costs in excess of the cap	**$ (158,696)**

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 Medy Lamorena, Lead Analyst at (916) 445-1546.

Sincerely,

JUSTYN HOWARD
Program Budget Manager

cc: Mr. Francisco Gutierrez, Executive Director of Finance & Management Services Agency, City of Santa Ana
Mr. Frank Davies, Property Tax Manager, Orange County