



December 17, 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

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated November 16, 2015. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Santa Ana Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 15-16B) to Finance on October 4, 2015, for the period of January 1 through June 30, 2016. Finance issued a ROPS determination letter on November 16, 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 1, 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. 70 – Habitat for Humanity Disposition and Development Agreement in the amount of \$854,199 was adjusted. Finance continues to adjust this item based on updated information provided. Finance initially adjusted this item because based on our review of Agency project records, it was our understanding that the requested amount would exceed the settlement's full funding for this project by \$200,242. During the Meet and Confer process, the Agency provided updated expenditure information for this item. Based on the updated information, the Agency has expended \$828,811 of the \$1,543,728, which leaves \$714,917 available. Therefore, Finance denies \$139,282 (\$854,199 - \$714,917) in Reserve Balances requested and approves the remaining balance of \$714,917 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. Finance denied this item because pursuant to HSC section 34171 (p), the housing entity 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 entity 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 (ABx1 26 and AB 1484).

The Agency contends that the City elected not to retain the housing functions, but the Authority, as a separate legal entity from the City, did retain the housing functions pursuant to HSC section 34176 (b) and should therefore be eligible for the housing entity administrative allowance. However, pursuant to HSC section 34167.10 (a), the definition of "city" includes, but is not limited to, any reporting entity of the city for purposes of its comprehensive annual financial report (CAFR), any component unit of the city, or any entity controlled by the city or for which the city is financially responsible or accountable. HSC section 34167.10 (a) defines "city" for purposes of all of Dissolution Law, which includes HSC section 34171, as amended by AB 471, and HSC section 34176. The Authority is included in the City's CAFR, which identifies the Authority as a component unit of the City and states that the City is financially accountable for the component units.

Although the Authority is a separate legal entity from the City, HSC section 34167.10 (c) states that it shall not be relevant that the entity is formed as a separate legal entity. It should also be noted that HSC section 34167.10 (c) goes on to state that "the provisions of this section are declarative of existing law as the entities described herein are and were intended to be included within the requirements of this part [Part 1.8] and Part 1.85...and any attempt to determine otherwise would thwart the intent of these two parts." Therefore, based on our review, the City, by way of the Authority, elected to retain the housing functions pursuant to HSC section 34176 (a) and is not eligible for \$300,000 of housing entity administrative allowance.

- Item Nos. 130-159 – Unfunded HSC section 33607.7 Pass-Through Payments totaling \$4,989,859 were not allowed. Finance continues to deny these items. Finance initially denied these items because 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.

During the Meet and Confer process, the Agency contended that several taxing entities believe that the HSC section 33607.7 payments should have commenced from the fiscal year following the fiscal year in which the time limit for incurring indebtedness would have expired if it had not been eliminated. However, the demands for payments are based on a Los Angeles Unified School District court decision and the Agency is not named as a party to the court decision nor has not shown that the requested payments are binding. Therefore, these items are not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.

In addition, per Finance's letter dated November 16, 2015, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

- 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. The Agency's maximum approved RPTTF distribution for the reporting period is \$3,118,897 as summarized in the Approved RPTTF Distribution table on the next page:

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>

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

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