

April 11, 2016

Mr. Lee Squire, Financial Services Manager
City of Brea
1 Civic Center Circle
Brea, CA 92821

Dear Mr. Squire:

Subject: 2016-17 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Brea Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule for the period July 1, 2016 through June 30, 2017 (ROPS 16-17) to the California Department of Finance (Finance) on January 27, 2016. Finance has completed its review of the ROPS 16-17.

Based on a sample of line items reviewed and application of the law, Finance made the following determinations:

- Item No. 1 – Brea Mall Expansion in the amount of \$1,745,417 is partially allowed. It is our understanding the Agency contends the amount payable for this item has increased due to the passage of Senate Bill (SB) 107, specifically HSC section 34189 (a). However, HSC section 34189 (a) is not applicable for this item. Therefore, the requested increase in the amount of \$319,065 in Redevelopment Property Tax Trust Funds (RPTTF) for the July 1, 2016 through December 31, 2016 period (ROPS A period) is not allowed, and the requested amount of \$1,426,352 in RPTTF for the January 1, 2017 through June 30, 2017 period (ROPS B period) has been reduced by \$319,065 to \$1,107,287.
- Item No. 55 – Brea Mall Ring Road Easement Agreement (Agreement) in the total outstanding amount of \$186,080 is partially allowed. It is our understanding the Agency's maintenance obligation under the Agreement transferred to the City of Brea (City) pursuant to OB Resolution No. OB 2015-08, approved by Finance on December 21, 2015. The requested amount of \$4,652 for the ROPS 16-17A period is an enforceable obligation as this represents amounts due before the transfer of the Agreement to the City. However, the requested amount for the ROPS 16-17B period is not approved because this represents amounts due after the transfer of the Agreement to the City. Therefore, maintenance obligations in the amount of \$4,652 are not enforceable obligations and are not eligible for Other Funds on this ROPS.
- Item No. 56 – 2011A Non-Housing Bond Proceeds Funding Agreement funded by 2011 bond proceeds is not allowed. The Agency requested \$668,273 derived from its 2011A Non-Housing Bonds.

Pursuant to HSC section 34191.4 (c) (2), after receiving a finding of Completion, the Agency may expend proceeds derived from bonds issued on or after January 1, 2011 in a manner consistent with the original bond covenants. The Agency received a Finding of Completion on July 9, 2013. Proceeds from the 2011A Non-Housing Bond totaled \$13,365,473.

However, HSC section 34191.4 (c) (2) (A) limits the Agency's expenditure authority to five percent of the 2011 Bond Proceeds until the Agency has an approved Last and Final ROPS. As such, the Agency may only expend \$668,274 from proceeds derived from the 2011A Non-Housing Bonds (\$13,365,473 x 5 %). It is our understanding the Agency has already expended \$772,376 in proceeds derived from the 2011A Non-Housing Bonds. Therefore, no funding remains available and the Agency's request to spend additional 2011A Non-Housing Bond Proceeds is not allowed at this time.

- On the ROPS 16-17 form, the Agency reported cash balances and activity for the period of July 1, 2015 through June 30, 2016. Pursuant to HSC section 34177 (l) (1) (E), agencies are required to use all available funding sources prior to RPTTF for payment of enforceable obligations. During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should be used prior to requesting RPTTF. Therefore, with the Agency's consent, the funding source for the following item has been reclassified to Other Funds and in the amount specified below:
 - Item No. 45 – Senior Rental Program/Senior Citizen Housing Subsidy Agreement in the amount of \$106,680. The Agency requested \$15,240 from RPTTF for the ROPS B period; however, Finance is reclassifying \$4,652 to Other Funds. This item is an enforceable obligation for the ROPS 16-17B period. However, the obligation does not require payment from property tax revenues and the Agency has \$4,652 in available Other Funds. Therefore, Finance is approving RPTTF in the amount of \$10,588 and the use of Other Funds in the amount of \$4,652, totaling \$15,240 for the ROPS B period.

Except for the items denied in whole or in part or the item that has been adjusted, Finance is not objecting to the remaining items listed on your ROPS 16-17. If you disagree with Finance's determination with respect to any items on your ROPS 16-17, 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 \$17,678,833 as summarized in the Approved RPTTF Distribution Table on Page 4 (See Attachment).

ROPS distributions will occur twice annually, one distribution for the July 1, 2016 through December 31, 2016 (ROPS A period), and one distribution for the January 1, 2017 through June 30, 2017 (ROPS B period) based on Finance's approved amounts. Since Finance's determination is for the entire ROPS 16-17 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

On the ROPS 16-17 form, the Agency was not required to report the estimated obligations versus actual payments (prior period adjustment) associated with the July 1, 2015 through December 31, 2015 period (ROPS 15-16A). The Agency will report actual payments for ROPS 15-16A and ROPS 15-16B on the ROPS 18-19 form pursuant to HSC section 34186 (a) (1). A prior period adjustment will be applied to the Agency's future RPTTF distribution. Therefore, the Agency should retain any difference in unexpended RPTTF.

Please refer to the ROPS 16-17 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 determination related to the enforceable obligations reported on your ROPS for the period July 1, 2016 through June 30, 2017. This determination only applies to items when funding was requested for the 12-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. Bill Gallardo, Administrative Services Director, City of Brea
Mr. Frank Davies, Property Tax Manager, Orange County

Attachment

Approved RPTTF Distribution			
For the period of July 2016 through June 2017			
	ROPS A Period	ROPS B Period	Total
Requested RPTTF (excluding administrative obligations)	\$ 422,826	\$ 17,513,359	\$ 17,936,185
Requested Administrative RPTTF	192,715	192,715	385,430
Total RPTTF requested for obligations on ROPS 16-17	615,541	17,706,074	\$ 18,321,615
Total RPTTF requested	422,826	17,513,359	17,936,185
<u>Denied Item</u>			
Item No. 1	(319,065)	(319,065)	(638,130)
<u>Reclassified Item</u>			
Item No. 45	0	(4,652)	(4,652)
Total RPTTF authorized	103,761	17,189,642	\$ 17,293,403
Total Administrative RPTTF authorized	192,715	192,715	\$ 385,430
Total RPTTF approved for distribution	296,476	17,382,357	\$ 17,678,833