



April 11, 2016

Ms. Carlos Jaramillo, Deputy Director of Community & Economic Development  
City of La Habra  
201 East La Habra Boulevard  
La Habra, CA 90631

Dear Ms. Jaramillo:

Subject: 2016-17 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of La Habra 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 28, 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 Nos. 1 through 4, 40 and 41 – 1998 Certificates of Participation (COP) Loan Debt Service Principal and Interest payments totaling \$8,187,550 are not allowed. The Official Statement for the 1998 Refunding COP, Series B and C specifically states that the “Loan Payments are not pledged by the City [of La Habra] as security for its obligation to pay Lease Payments and, thus, are not available to pay principal and interest with respect to the Certificates. The City will deposit Loan Payments when and if received into the general fund of the City.”

Furthermore, the Loan Agreement between the City and former redevelopment agency (RDA) is not an enforceable obligation because HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the sponsoring entity and the former RDA are not enforceable obligations.

HSC section 34171 (d) (2) specifically states that “for purposes of this part, “enforceable obligation” does not include any agreements, contracts, or arrangements between the city, county, or city and county that created the redevelopment agency and the former redevelopment agency.” However, HSC 34171 (d) (2) does provide an exception by going on to state that “written agreements entered into (1) at the time of issuance, but in no event later than December 31, 2010, of indebtedness obligations, and (2) solely for the purpose of securing or repaying those indebtedness obligations may be deemed enforceable obligations for purposes of this part.” In order for an agreement between the City and former RDA to be considered an enforceable obligation it must meet both requirements of this exception. Under the Loan Agreement, the City would make the 1998 Refunding COP payments on behalf of the Agency and the Agency would repay

the City for payments of indebtedness fronted by the City along with the interest. The Loan Agreement also requires the RDA to pay penalty amounts to the City whenever the RDA misses a payment. Therefore, the Loan Agreement is not solely for the purpose of securing or repaying indebtedness obligations, and thus does not meet the exception set forth under HSC 34171 (d) (2). Consequently, both the upcoming amount due and the past amount paid by the City on 1998 COP are not enforceable obligations and are not eligible for Redevelopment Property Tax Trust Fund (RPTTF) in the amount of \$1,992,375, or Other Funds in the amount of \$45,000, totaling \$2,037,375 requested for the ROPS 16-17 period.

Except for the items denied in whole or in part or the items that have 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/](http://www.dof.ca.gov/redevelopment/meet_and_confer/)

On the ROPS 16-17 form, the Agency reported cash balances and activity for the period of July 1, 2015 through June 30, 2016. Finance performs a review of the Agency's self-reported cash balances on an ongoing basis. 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 enforceable obligations, HSC section 34177 (I) (1) (E) requires these balances to be used prior to requesting RPTTF.

The Agency's maximum approved RPTTF distribution for the reporting period is \$1,432,777 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>

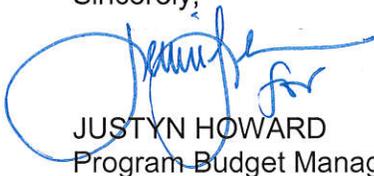
Absent a Meet and Confer, this is Finance's determination related to the enforceable obligations reported on your ROPS for the period July 1, 2016 through June 30, 2017. This determination only applies to items when funding was requested for the 12-month period. Finance's

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. Jack Ponvanit, Finance Manager, City of La Habra  
Mr. Frank Davies, Property Tax Manager, Orange County

**Attachment**

<b>Approved RPTTF Distribution</b>			
<b>For the period of July 2016 through June 2017</b>			
	<u>ROPS A Period</u>	<u>ROPS B Period</u>	<u>Total</u>
Requested RPTTF (excluding administrative obligations)	\$ 1,591,075	\$ 1,584,077	\$ 3,175,152
Requested Administrative RPTTF	<u>125,000</u>	<u>125,000</u>	<u>250,000</u>
<b>Total RPTTF requested for obligations on ROPS 16-17</b>	<b>1,716,075</b>	<b>1,709,077</b>	<b>\$ 3,425,152</b>
<b>Total RPTTF requested</b>	<b>1,591,075</b>	<b>1,584,077</b>	<b>3,175,152</b>
<u>Denied Items</u>			
Item No. 1	(340,000)	0	(340,000)
Item No. 2	(70,175)	(61,619)	(131,794)
Item No. 3	0	(1,360,000)	(1,360,000)
Item No. 4	<u>(160,581)</u>	<u>0</u>	<u>(160,581)</u>
	<u>(570,756)</u>	<u>(1,421,619)</u>	<u>(1,992,375)</u>
<b>Total RPTTF authorized</b>	<b>1,020,319</b>	<b>162,458</b>	<b>\$ 1,182,777</b>
<b>Total Administrative RPTTF authorized</b>	<b>125,000</b>	<b>125,000</b>	<b>\$ 250,000</b>
<b>Total RPTTF approved for distribution</b>	<b>1,145,319</b>	<b>287,458</b>	<b>\$ 1,432,777</b>