DEPARTMENT OF FINANCE

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April 15, 2016

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

Dear Ms. Kim:

Subject: 2016-17 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the Orange City 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 No. 2 – Fiscal Agent Fees in the amount of $12,700 have been adjusted. Although the total Redevelopment Property Tax Trust Fund (RPTTF) requested is $12,700, the Agency provided documentation supporting $7,700 due during the ROPS 16-17 period. Therefore, with the Agency's concurrence, the excess, in the amount of $5,000 ($12,700 - $7,700), is not eligible for RPTTF funding.

- Item No. 3 – Bond Disclosure Fees in the amount of $10,950 have been adjusted. Although the total RPTTF requested is $10,950, the Agency provided documentation supporting $5,200 due during the ROPS 16-17 period. Therefore, with the Agency's concurrence, the excess, $5,750 ($10,950 - $5,200) is not eligible for RPTTF funding.

- Item No. 8 – Orange City Mills Business Incentive Agreements. The Agency requests $600,000 from RPTTF for the July 1, 2016 through December 30, 2016 period (ROPS A period); however, Finance is reclassifying $60,000 to Other Funds. This item is an enforceable obligation, however, the obligation does not require payment from property tax revenues and the Agency has $60,000 in available Other Funds as described below under the administrative costs. Therefore, Finance is approving RPTTF in the amount of $540,000 and the use of Other Funds in the amount of $60,000, totaling $600,000 for the ROPS A period.

- Item No. 11 – Agency Property Management costs. It is our understanding this item relates to sewer fees associated with properties transferred to the City of Orange (City) pursuant to the Agency's Long-Range Property Management Plan (LRPMP). Therefore, with the concurrence of the Agency, the amount of $5,000 RPTTF requested for this item has been reduced to zero, and the item will be retired.

- Item No. 27 – Metrolink Parking Structure Professional Services in the amount of $45,634 has been adjusted. It is our understanding the Agency requested the incorrect amount for professional services; the $45,634 originally requested for the annual period should be $169,290. As a result, Finance has increased RPTTF funding for this item by $123,656, for a total of $169,290 ($45,634 + $123,656) on this ROPS.

- Item No. 28 – Metrolink Parking Structure Design Services in the amount of $752,361 have been adjusted. Although the Agency requested funding in the amount of $265,046 from Reserve Balances, $283,348 from Other Funds, and $203,967 from RPTTF, totaling $752,361, only $562,947 is required for the ROPS 16-17 period. Therefore, with the Agency's concurrence, the excess, $189,414 ($752,361 – $562,947) is not eligible for RPTTF funding.

- Item No. 73 – Agency Asset Disposition costs. It is our understanding this item relates to property disposition costs associated with properties transferred to the City pursuant to the Agency's approved LRPMP. Therefore, with the Agency's concurrence, the amount of $10,000 RPTTF requested for this item has been reduced to zero, and the item will be retired.

- The Agency's claimed administrative costs exceed the allowance by $120,000. HSC section 34171 (b) (3) limits the fiscal year 2016-17 Administrative Cost Allowance (ACA) to three percent of actual distributed RPTTF in the preceding fiscal year, or $250,000, whichever is greater; not to exceed 50 percent of the distributed RPTTF in the preceding fiscal year. As a result, the Agency's maximum ACA is $250,000 for the fiscal year 2016-17.

  Although $250,000 is claimed for administrative cost, Item No. 106 in the amount of $60,000 payable from Other Funds, and $60,000 payable from RPTTF, is considered an administrative cost and should be counted toward the cap. The $60,000 of excess administrative cost payable from Other Funds is not allowed. To the extent the Agency has Other Funds available, the Agency should use those funds to pay other enforceable obligations approved on the ROPS pursuant to HSC section 34177 (l) (1) (E). Therefore, Finance reclassified the funding source for Item No. 8 from RPTTF to Other Funds in the amount of $60,000 as described above. In addition, $60,000 of excess administrative cost allowance, payable from RPTTF, is not allowed.

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/

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 (l) (1) (E) requires these balances to be used prior to requesting RPTTF.

The Agency's maximum approved RPTTF distribution for the reporting period is $8,578,522 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 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,

for

JUSTYN HOWARD
Program Budget Manager

cc: Mr. Rick Otto, Assistant City Manager, Orange City
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)	$ 6,089,728	$ 2,450,302	$ 8,540,030
Requested Administrative RPTTF	125,000	125,000	250,000
Total RPTTF requested for obligations on ROPS 16-17	6,214,728	2,575,302	**$ 8,790,030**
Adjustment to Agency Requested RPTTF			
Item No. 27	123,656	0	123,656
Total RPTTF adjustments	123,656	0	**$ 123,656**
Total RPTTF requested	6,213,384	2,450,302	**8,663,686**
Denied Items			
Item No. 2	0	(5,000)	(5,000)
Item No. 3	0	(5,750)	(5,750)
Item No. 11	(5,000)	0	(5,000)
Item No. 28	(189,414)	0	(189,414)
Item No. 73	(5,000)	(5,000)	(10,000)
	(199,414)	(15,750)	(215,164)
Reclassified Items			
Item No. 8	(60,000)	0	(60,000)
Item No. 106	0	(60,000)	(60,000)
	(60,000)	(60,000)	
Total RPTTF authorized	5,953,970	2,374,552	**$ 8,328,522**
Total Administrative RPTTF requested	125,000	125,000	**250,000**
Reclassified Items			
Item No. 106	0	60,000	60,000
Total Administrative RPTTF after Finance adjustments	125,000	185,000	310,000
Administrative costs in excess of the cap (see Administrative Cost Allowance Cap table below)	0	(60,000)	(60,000)
Total Administrative RPTTF authorized	125,000	125,000	**$ 250,000**
Total RPTTF approved for distribution	6,078,970	2,499,552	**$ 8,578,522**

Administrative Cost Allowance Cap Calculation	
Actual RPTTF distributed for fiscal year 2015-16	$ 4,943,429
Less sponsoring entity loan and Administrative RPTTF	250,000
Actual RPTTF distributed for 2015-16 after adjustment	4,693,429
Administrative Cap for 2016-17 per HSC section 34171 (b)	250,000
ROPS 16-17 Administrative RPTTF after Finance adjustments	310,000
Administrative Cost Allowance in excess of the cap*	**$ (60,000)**

* Excess administrative costs of $60,000 Other Funds are not reflected in the table.