DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

REVISED

May 24, 2016

Mr. Jim Vanderpool, City Manager
City of Buena Park
6650 Beach Boulevard
Buena Park, CA 90621

Dear Mr. Vanderpool:

Subject: 2016-17 Annual Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 15, 2016. Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Buena Park Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule for the period of July 1, 2016 through June 30, 2017 (ROPS 16-17) to Finance on January 28, 2016. Finance issued a ROPS determination letter on April 15, 2016. 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 May 2, 2016.

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. 38 – Environmental Remediation in the total outstanding obligation amount of $260,487. Finance is partially approving $65,155 for this item. During the Meet and Confer process, the Agency provided a letter from the Orange County Health Care Agency dated September 16, 2010, naming the Agency as the responsible party for investigating and remediating certain environmental contaminations. Additional supporting documentation included the Purchase and Sale Agreement, and Remedial Action Plan for remediation and monitoring.

  It is our understanding the Agency is close to completing the project and is waiting on official case closure. As a result, the Agency provided a $65,155 projection of the costs for one year of monitoring and groundwater well abandonment. As a result, the excess amount of $195,332 ($260,487 requested - $65,155 estimate) is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding during the ROPS 16-17 period.

- Item No. 66 – City of Buena Park (City) Loan in the total outstanding amount of $5,347,935. Finance continues to deny this item. Pursuant to HSC section 34191.4 (b) loan agreements between the former redevelopment agency (RDA) and sponsoring entity may be placed on the ROPS if the following requirements are met: (1) the Agency has received a Finding of Completion; and (2) the Agency's Oversight Board (OB) approves the loan as an enforceable obligation by finding the loan was for legitimate

redevelopment purposes. The Agency received their Finding of Completion on April 26, 2013. However, Finance denied the Agency's OB Resolution No. OB-37, re-establishing loan agreements as enforceable obligations, and taking certain related actions, in our letter dated March 2, 2016.

During the Meet and Confer process, the Agency provided documents from the City Council of Buena Park (Council) approving the loan amounts and loan payments, which included Resolution Nos. 10092 and 11017, budgets, Comprehensive Annual Financial Statements, and Statements of Indebtedness. However, the Council's documents were not sufficient for Finance to verify that an actual transfer of funds occurred from the City to the former RDA or that the former RDA was obligated to repay the money it received pursuant to a required payment schedule as required by HSC section 34191.4 (b) (2) (A). The former RDA was not a party to the Council Resolutions and the former RDA did not pass any of its own resolutions for these loans. In addition, the Agency was unable to provide any other contracts or loan agreements, executed by the former RDA that obligated the former RDA to repay the money it received. Finally, the Agency was unable to provide accounting records, such as cancelled checks or general ledger reports, to confirm the receipt of funds loaned by the City to the former RDA. Therefore, this item is not an enforceable obligation and the requested amount of $1,356,570 is not eligible for RPTTF funding on the ROPS.

In addition, per Finance's letter dated April 15, 2016, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

- Item No. 5 – Property Taxes/Sewer Assessments in the amount of $15,000 is partially allowed. HSC section 34171 (d) (1) (F) states that agreements necessary for the administration or operation of the Agency, such as the cost of maintaining assets prior to disposition, are enforceable obligations. However, Finance approved the Agency's Long-Range Property Management Plan (LRPMP) on April 23, 2015, and the supporting documentation provided by the Agency includes funding for properties no longer owned by the Agency.

  Based on the documentation provided, only $2,000 relates to properties still owned by the Agency. Therefore, the excess, $13,000, is not an enforceable obligation and is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.

- Item No. 6 – Jonathan Lehrer-Graiwer Judgment (Judgment) in the total outstanding obligation amount of $103,824,908 is not allowed. Finance continues to deny this item. The Agency contends the item is an enforceable obligation because the Judgment, which was entered by a competent court of Law, requires the Agency to deposit 25 percent of gross tax increment into a separate Low and Moderate Income Housing Fund to be used for low and moderate income housing purposes. Because there are no longer such taxes allocated to the Agency, there are no longer required set-asides to enforce. The Agency did not provide any information indicating the amounts requested to be set aside were related to an enforceable obligation existing prior to June 27, 2011. Pursuant to ABx1 26 and AB 1484, tax increment is no longer payable to the former redevelopment agency and therefore there is no obligation. The Agency may want to retire this item. Therefore, this item is not an enforceable obligation and requested amount of $11,005,114 is not eligible for RPTTF funding on the ROPS.

- Item No. 9 – Beach/Orangethorpe Project in the total outstanding obligation amount of $233,650 is not allowed. Insufficient documentation was provided to support the amount claimed. The Agency provided a personnel budget for the project's management, official duty statement for each staff member assigned to this project, and sample timesheets for those employees. The Agency also provided a Disposition and Development Agreement (DDA) for the project to support the staff activities. However, these documents are insufficient to support the requested amount because the DDA does not obligate the Agency to perform the activities identified for payment. To the extent the Agency can provide suitable documentation, such as an agreement which obligates the Agency to perform these activities, the Agency may be able to obtain RPTTF funding on future ROPS. Therefore, this item is not an enforceable obligation and the requested amount of $90,850 is not eligible for RPTTF funding on the ROPS.

- Item Nos. 11, 49, 52, 54, and 61 – Various Property Maintenance and Disposition costs totaling $519,306 are not allowed. In accordance with HSC section 34171 (d) (1) (F), the cost of maintaining assets prior to disposition are enforceable obligations. However, because the supporting documentation provided by the Agency demonstrates costs for properties no longer owned by the Agency, this item is no longer the obligation of the Agency. Therefore, these items are not enforceable obligations and requested funding in the amount of $110,460 ($65,460 + $15,000 + $15,000 + $10,000 + $5,000) is not eligible for RPTTF funding on the ROPS.

- Item No. 64 – Property Disposition Coordination costs in the amount of $40,000 are partially allowed. The Agency was unable to provide sufficient documentation for the amounts claimed. Of the amount requested, only $32,000 represents funding for Agency-owned properties. Therefore, the difference, $8,000, is not eligible for RPTTF funding on the ROPS.

Except for the items denied in whole or in part, Finance is not objecting to the remaining items listed on your ROPS 16-17.

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 $8,668,360 as summarized in the Approved RPTTF Distribution Table on Page 5 (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

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 Evelyn Suess, Dispute Resolution Supervisor, or Michael Barr, Analyst, at (916) 445-1546.

Sincerely,

JUSTYN HOWARD
Program Budget Manager

cc: Mr. Ruben Lopez, Economic Development Administrator, City of Buena Park
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)	$ 13,324,428	$ 7,873,258	$ 21,197,686
Requested Administrative RPTTF	125,000	125,000	250,000
Total requested RPTTF on ROPS 16-17	$ 13,449,428	$ 7,998,258	**$ 21,447,686**
Total RPTTF requested	13,324,428	7,873,258	**21,197,686**
Denied Items			
Item No. 5	0	(13,000)	(13,000)
Item No. 6	(5,502,557)	(5,502,557)	(11,005,114)
Item No. 9	(45,425)	(45,425)	(90,850)
Item No. 11	(32,730)	(32,730)	(65,460)
Item No. 38	(97,666)	(97,666)	(195,332)
Item No. 49	(7,500)	(7,500)	(15,000)
Item No. 52	(7,500)	(7,500)	(15,000)
Item No. 54	(5,000)	(5,000)	(10,000)
Item No. 61	(2,500)	(2,500)	(5,000)
Item No. 64	(4,000)	(4,000)	(8,000)
Item No. 66	(1,356,570)	0	(1,356,570)
	(7,061,448)	(5,717,878)	(12,779,326)
Total RPTTF authorized	6,262,980	2,155,380	**$ 8,418,360**
Total Administrative RPTTF authorized	125,000	125,000	**$ 250,000**
Total RPTTF approved for distribution	6,387,980	2,280,380	**$ 8,668,360**