



April 8, 2013

Sheryl Montgomery, Senior Administrative Analyst
City of Anaheim
201 South Anaheim Boulevard, Suite 1003
Anaheim, CA 92805

Dear Ms. Montgomery:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Anaheim Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14A) to the California Department of Finance (Finance) on February 22, 2013 for the period of July through December 2013. Finance has completed its review of your ROPS 13-14A, which may have included obtaining clarification for various items.

HSC section 34171 (d) defines enforceable obligations. Based on a sample of line items reviewed and application of the law, the following do not qualify as enforceable obligations:

- Item No. 66 – River Valley Redevelopment Project Area in the amount of \$10,034,000. The Owner Participation Agreement states "The Agency Note shall be a special obligation of the Agency payable only out of the Net Increment to the extent that the Agency receives such Net Increment". Pursuant to AB x126 and AB 1484, Net Increment no longer exists and was replaced with Redevelopment Property Tax Trust Fund.

Additionally, page 9 of the Agreement states that "the Developer acknowledges that the Net Increment shall only continue until the termination of the Redevelopment Plan and therefore, to the extent there is any balance left on the Agency Note at such time, the Agency shall be fully relieved of any remaining balance on the Agency Note and the Agency Note shall be cancelled and returned to the Agency". Pursuant to AB x126 and AB 1484 all Redevelopment Agencies were dissolved and Redevelopment Plans no longer exist. Therefore, this item does not qualify for funding from Redevelopment Property Tax Trust Fund (RPTTF).

- Item Nos. 119 and 120 – Housing monitoring costs totaling \$579,340 are not enforceable obligations. HSC section 34176 (a)(1) states if a city, county, or city and county elects to retain the authority to perform housing functions previously performed by a redevelopment agency (RDA), all rights, powers, duties, obligations, and housing assets shall be transferred to the city, county, or city and county. Since the Anaheim Housing Authority assumed the housing functions, the administrative costs associated with these functions are the responsibility of the housing successor. Therefore, these items are not enforceable obligations and not eligible for RPTTF funding.

- Item No. 139 – City loan in the amount of \$1,111,102. The Agency cites HSC 34173 (h) as support for this item, which states that the sponsoring entity may loan funds to the successor agency for administrative costs, enforceable obligations, or project related expenses as the basis for the loan being enforceable; however, this section applies to enforceable obligations only. In this case, the loan was entered into for an item denied by Finance during a prior ROPS period. Therefore, this item is not an enforceable obligation and not eligible for RPTTF funding.
- Administrative costs funded by RPTTF exceed the allowance by \$201,464. HSC section 34171 (b) limits administrative expenses to three percent of property tax allocated to the successor agency or \$250,000, whichever is greater. Although \$522,728 is claimed for administrative cost, Item Nos. 76 and 77 in the amount of \$150,000 are considered administrative expenses and should be counted toward the cap. Therefore, \$201,464 of excess administrative cost is not allowed.

Except for items denied in whole or in part as enforceable obligations, Finance is not objecting to the remaining items listed on your ROPS 13-14A. This determination applies only to items where funding was requested for the six month period. If you disagree with the determination with respect to any items on your ROPS 13-14A, 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 Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is \$15,146,895 as summarized below:

Approved RPTTF Distribution Amount For the period of July through December 2013	
Total RPTTF funding requested for obligations	\$ 17,424,262
Minus: Six-month total for items denied or reclassified as administrative cost	
Item 66	359,348
Item 76*	90,000
Item 77*	60,000
Item 119	60,000
Item 120	35,000
Item 139	1,111,102
Total approved RPTTF for enforceable obligations	\$ 15,708,812
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost	471,264
Minus: ROPS II prior period adjustment	(1,033,181)
Total RPTTF approved for distribution:	\$ 15,146,895

*Reclassified as administrative cost

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2012 period. The amount of RPTTF approved in the above table includes the prior period adjustment that was self-reported by the Agency. HSC Section 34186 (a) also specifies that the prior period adjustments self-reported by successor agencies are subject to audit by the county auditor-controller (CAC) and the State Controller.

Any proposed CAC adjustments were not received in time for inclusion in this letter. Therefore, the amount of RPTTF approved in the above table includes only the prior period adjustment that was self-reported by the Agency.

Please refer to the ROPS 13-14A schedule that was used to calculate the approved RPTTF amount:

[http://www.dof.ca.gov/redevelopment/ROPS/ROPS 13-14A Forms by Successor Agency/](http://www.dof.ca.gov/redevelopment/ROPS/ROPS_13-14A_Forms_by_Successor_Agency/).

This is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2013. Finance's determination is effective for this time period only and should not be conclusively relied upon for future periods. All items listed on a future ROPS are subject to a subsequent review and may be denied even if it was or was not denied on this ROPS or a preceding ROPS. The only exception is for those items that have received a Final and Conclusive determination from Finance pursuant to HSC 34177.5 (i). Finance's review of items that have received a Final and Conclusive determination 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 that was available prior to enactment of ABx1 26 and AB 1484. This amount is not and never was an unlimited funding source. 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 successor agency in the RPTTF.

To the extent proceeds from bonds issued after December 31, 2010 exist and are not encumbered by an enforceable obligation pursuant to 34171 (d), HSC section 34191.4 (c)(2)(B) requires these proceeds be used to defease the bonds or to purchase those same outstanding bonds on the open market for cancellation.

Please direct inquiries to Nichelle Thomas, Supervisor or Alex Watt, Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Ms. Kerry Kemp, Community Investment Manager
Mr. Frank Davies, Property Tax Manager, County of Orange
California State Controller's Office