



April 6, 2013

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

Dear Mr. Squire:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Brea Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14A) to the California Department of Finance (Finance) on February 20, 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 Nos. 2 through 6 – 2001, 2003, and 2008 Tax Allocation Bond payments totaling \$3,144,528. The Agency requested \$14,339,816 in reserve balances to fund these items; however, according to information later provided by the Agency, reserve balances requested should have totaled \$11,195,288. Therefore, the remaining \$3,144,528 in reserve funding is denied.
- Item No. 28 – Tracks and Brea Trail Construction in the amount of \$6,000,000. The former redevelopment agency (RDA) is neither a party to the contract nor responsible for payment of the contract. Therefore, this item is not an enforceable obligation and not eligible for bond funding.
- Item No. 32 – Brea Woods Senior Apartments/Development and Operating Agreement in the amount of \$3,000 bond proceeds. The Agency is requesting authority to spend 2011 Tax Allocation Bonds for the grant agreement dated June 21, 2011. However, the grant agreement does not identify the former redevelopment agency as a party to the agreement.
- Item Nos. 33 through 48 – Senior Rental Program/Senior Citizen Housing Subsidy Agreements totaling \$1,882,140 in bond proceeds. However, these agreements were executed prior to the issuance of 2011 bonds. Additionally, the bond indenture does not specify the senior citizen program for the bond proceeds to be used for.

- The Agency's claimed administrative costs exceed the allowance by \$80,000. HSC section 34171 (b) limits fiscal year administrative expenses to three percent of property tax allocated to the Agency or \$250,000, whichever is greater. The Agency requested \$330,000 for administrative costs; however, only \$250,000 is available pursuant to the cap. Therefore, \$80,000 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/](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 \$2,087,851 as summarized below:

<b>Approved RPTTF Distribution Amount For the period of July through December 2013</b>	
Total RPTTF funding requested for obligations	\$ 1,837,851
Minus: Six-month total for items denied or reclassified as administrative cost	
Total approved RPTTF for enforceable obligations	\$ 1,837,851
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost	250,000
Minus: ROPS II prior period adjustment	-
<b>Total RPTTF approved for distribution:</b>	<b>\$ 2,087,851</b>

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%2013-14A%20Forms%20by%20Successor%20Agency/).

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: Mr. Bill Gallardo, Administrative Services Director  
Mr. Frank Davies, Property Tax Manager, County of Orange  
California State Controller's Office