DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR
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May 17, 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

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 6, 2013. 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 Finance on February 20, 2013, for the period of July through December 2013. Finance issued a ROPS determination letter on April 6, 2013. Subsequently, the Agency requested a Meet and Confer session on one or more of the items denied by Finance. The Meet and Confer session was held on April 18, 2013.

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 items being disputed.

- Item Nos. 2 through 8 – 2001, 2003, 2008, and 2011 Tax Allocation Bond payments totaling $11,457,787 from Reserves and $315,846 from the Redevelopment Property Tax Trust Fund (RPTTF). The Agency originally requested $15,361,420 in reserve balances and $317,056 from the RPTTF to fund these items. During the Meet and Confer process, the Agency requested to revise the Reserve amount to $11,457,787 and the RPTTF amount to $315,846. Therefore, Reserve and RPTTF funding is being reduced by $3,903,633 and $1,210, respectively.

- Item No. 28 – Tracks and Brea Trail Construction in the amount of $6,000,000. Finance continues to deny this item. The former redevelopment agency (RDA) is neither a party to the contract nor responsible for payment of the contract. The Agency contends the item is an enforceable obligation because the project has been included in the former RDA's annual budget every year since fiscal year 2008-09. However, a budget is not a pledge of the former RDA's funds. Furthermore, HSC section 34171 (d) (2) states "enforceable obligation" does not include any agreements, contracts, or arrangements between the city that created the RDA and the former RDA. Therefore, this item is not an enforceable obligation and not eligible for bond funding. Although, we note that pursuant to HSC section 34191.4 (c), successor agencies that have been issued a Finding of Completion by Finance will be allowed to use excess proceeds from bonds issued prior to December 31, 2010, for the purposes for which the bonds were issued.

- Item No. 32 – Brea Woods Senior Apartments/Development and Operating Agreement with an outstanding amount of $3,000 bond proceeds. The Agency requested authority to spend 2011 Tax Allocation Bonds for the Operating Agreement dated January 19, 1988. While the agreement is an enforceable obligation, it should not be funded with the bond proceeds since the proceeds were not, and have not, been committed to a particular expense. The bonds were issued before the former RDA obligated the proceeds to any particular contract. Therefore, Finance is changing the funding source from bond proceeds to RPTTF.

- Item Nos. 33 through 48 – Senior Rental Program/Senior Citizen Housing Subsidy Agreements with an outstanding amount of $1,882,140 in bond proceeds. The Agency requested authority to spend 2011 Tax Allocation Bonds for the Subsidy Agreements. While the agreements are enforceable obligations, they should not be funded with the bond proceeds since the proceeds were not, and have not, been committed to a particular expense. The bonds were issued before the former RDA obligated the proceeds to any particular contract. Therefore, Finance is changing the funding source from bond proceeds to RPTTF.

In addition, per Finance's ROPS letter dated April 6, 2013, the following item not disputed by the Agency continues to be denied:

- 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 disallowed as noted above, Finance is not objecting to the remaining items listed in your ROPS 13-14A. Obligations deemed not to be enforceable shall be removed from your ROPS.

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is $2,232,921 as summarized on the following page:

Approved RPTTF Distribution Amount For the period of July through December 2013		
Total RPTTF funding requested for obligations	$	1,837,851
Add: Increase in RPTTF or change in funding source to RPTTF		
Item 5		90
Item 32		1,500
Item 33		4,572
Item 34		12,192
Item 35		15,240
Item 36		1,524
Item 37		3,048
Item 38		25,908
Item 39		3,048
Item 40		1,524
Item 41		1,524
Item 42		41,148
Item 43		4,572
Item 44		1,524
Item 45		24,384
Item 46		1,524
Item 47		1,524
Item 48		1,524
Minus: Decrease in RPTTF		
Item 4		300
Item 7		1,000
Total approved RPTTF for enforceable obligations	$	1,982,921
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost		250,000
Minus: ROPS II prior period adjustment		-
Total RPTTF approved for distribution:	**$**	**2,232,921**

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. 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. The amount of RPTTF approved in the above table includes the prior period adjustment that was self-reported by the Agency and the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment. Please refer to the worksheet used by the CAC to determine the audited prior period adjustment for the Agency:

http://www.dof.ca.gov/redevelopment/ROPS/view.php

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/

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 Evelyn Suess, Dispute Resolution Supervisor, or Mary Halterman, 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