



November 22, 2013

Mr. Troy L. Butzlaff, City Administrator
City of Placentia
401 East Chapman Avenue
Placentia, CA 92870

Dear Mr. Butzlaff:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Placentia Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14B) to the California Department of Finance (Finance) on October 11, 2013 for the period of January through June 2014. Finance has completed its review of your ROPS 13-14B, 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 for the reasons specified:

- Item No. 3 – 2009 Tax Allocation Notes in the amount of \$7,115,438. It is our understanding the Agency intends to refinance the 2009 Notes pursuant to Oversight Board (OB) Resolution 2013-09, which approves the issuance and sale of 2013 Tax Allocation Refunding Bonds to refinance outstanding tax allocation bonds and notes of the former redevelopment agency (RDA) of the City of Placentia (City), approved by Finance in the letter dated October 30, 2013. Pursuant to that action, the Agency is using outstanding bond proceeds, in the amount of \$6,850,000, rather than requesting Redevelopment Property Tax Trust Funds (RPTTF). Therefore, Finance is approving RPTTF in the amount of \$265,438 for interest due, and the use of bond proceeds in the amount of \$6,850,000 for this item.
- Item No. 5 – Crowther Relocation in the amount of \$55,900 is not an obligation of the Agency. It is our understanding the settlement agreements are between the City and Reliable Contents Restoration Services, Inc. The former RDA is not a party to the agreement. Additionally, this item was returned to the Agency's Oversight Board for reconsideration in the letters dated April 3, 2013 and May 24, 2013. Therefore, this line item is not an enforceable obligation and is not eligible for RPTTF funding.
- Item Nos. 27 and 28 – 2002 Tax Allocation Bonds Series A and B Reserves totaling \$95,000. HSC section 34171 (d) (1) (A) allows agencies to hold a reserve for debt service payments when required by the bond indenture, or when the next property tax allocation will be insufficient to pay all obligations due under the provisions of the bond

for the next payment due in the following half of the calendar year. Based on our review of the bond indentures, we did not note any requirement to create such reserves. Additionally, based on the history of the Agency's RPTTF distributions, it is our understating the next property tax allocation will be sufficient to make debt service payments due for these items. Therefore, these items are not eligible for RPTTF funding.

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14B form the estimated obligations and actual payments (prior period adjustments) associated with the January through June 2013 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 below table includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

Except for items denied in whole or in part as enforceable obligations or for the item that have been reclassified, Finance is not objecting to the remaining items listed on your ROPS 13-14B. If you disagree with the determination with respect to any items on your ROPS 13-14B, 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 RPTTF distribution for the reporting period is \$1,446,123 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2014	
Total RPTTF requested for non-administrative obligations	8,257,259
Total RPTTF requested for administrative obligations	207,303
Total RPTTF requested for obligations	\$ 8,464,562
Total RPTTF requested for non-administrative obligations	8,257,259
<u>Denied Items</u>	
Item No. 5	(55,900)
Item No. 27	(40,000)
Item No. 28	(55,000)
	(150,900)
<u>Reclassified Item</u>	
Item No. 3	(6,850,000)
	(6,850,000)
Total RPTTF approved for non-administrative obligations	1,256,359
Total RPTTF requested for administrative obligations	207,303
Total RPTTF for administrative obligations	207,303
Total RPTTF approved for obligations	1,463,662
ROPS III prior period adjustment	(17,539)
Total RPTTF approved for distribution	\$ 1,446,123

Pursuant to HSC section 34177 (l) (1) (E), agencies are required to use all available funding sources prior to RPTTF for payment of enforceable obligations. Beginning with the ROPS 13-14B period, Finance required successor agencies to identify fund balances for various types of funds in its possession. During our ROPS 13-14B review, Finance requested financial records to support the fund balances reported by the Agency; however, Finance was unable to reconcile the financial records to the amounts reported. As a result, Finance will continue to work with the Agency after the ROPS 13-14B review period to properly identify the Agency's fund balances. If it is determined the Agency possesses fund balances that are available to pay approved obligations, the Agency should request the use of these fund balances prior to requesting RPTTF in ROPS 14-15A.

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

[http://www.dof.ca.gov/redevelopment/ROPS/ROPS 13-14B Forms by Successor Agency/](http://www.dof.ca.gov/redevelopment/ROPS/ROPS%2013-14B%20Forms%20by%20Successor%20Agency/).

Absent a Meet and Confer, this is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2014. This determination applies only to items where funding was requested for the six month period. 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 HSC section 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,



JUSTYN HOWARD
Assistant Program Budget Manager

cc: Mr. Mike Nguyen, Interim Director of Finance, City of Placentia
Mr. Frank Davies, Property Tax Manager, Orange County
California State Controller's Office