



April 17, 2014

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 14-15A) to the California Department of Finance (Finance) on April 2, 2014 for the period of July through December 2014. Finance has completed its review of your ROPS 14-15A, 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. 4 – 2003 Certificates of Participation (COP) Amended and Restated Reimbursement Agreement debt service payment in the amount of \$372,193. The Agency made an error when requesting funding for this item; the Agency based the request on the wrong payment schedule. Therefore, with the Agency's agreement, Finance has adjusted the requested Redevelopment Property Tax Trust Fund (RPTTF) funding by \$274,002 (\$372,193-\$98,191).
- 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 of Placentia (City) and Reliable Contents Restoration Services, Inc.; the former redevelopment agency 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.

Additionally, Finance made the following adjustment:

- Item No. 13 – 2003 Improvement COPs debt service payment. The Agency did not request funding for this item on the original ROPS submitted to Finance. Subsequent to the submission, the Agency discovered an error. Therefore, Finance increased this line item from \$0 to \$112,193.

The administrative costs claimed are within the fiscal year administrative cap pursuant to HSC section 34171 (d). However, Finance notes the oversight board has approved an amount that appears excessive, given the number and nature of the other obligations listed on the ROPS. HSC section 34179 (i) requires the oversight board to exercise a fiduciary duty to the taxing entities. Therefore, Finance encourages the oversight board to apply adequate oversight when evaluating the administrative resources required to successfully wind-down the Agency.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 14-15A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2013 period. HSC section 34186 (a) also specifies 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 table below 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 items that have been reclassified, Finance is not objecting to the remaining items listed on your ROPS 14-15A. If you disagree with the determination with respect to any items on your ROPS 14-15A, 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 \$752,964 as summarized below:

Approved RPTTF Distribution For the period of July through December 2014	
Total RPTTF requested for non-administrative obligations	895,431
Total RPTTF requested for administrative obligations	222,050
Total RPTTF requested for obligations	\$ 1,117,481
Agency requested RPTTF adjustment to non-administrative obligations	112,193
Total Agency requested RPTTF adjustments	\$ 112,193
Total RPTTF requested for non-administrative obligations	1,007,624
<u>Denied Items</u>	
Item No. 4	(274,002)
Item No. 5	(55,900)
	(329,902)
Total RPTTF authorized for non-administrative obligations	\$ 677,722
Total RPTTF requested for administrative obligations	222,050
Total RPTTF authorized for administrative obligations	\$ 222,050
Total RPTTF authorized for obligations	\$ 899,772
ROPS 13-14A prior period adjustment	(146,808)
Total RPTTF approved for distribution	\$ 752,964

Pursuant to HSC section 34177 (I) (1) (E), agencies are required to use all available funding sources prior to RPTTF for payment of enforceable obligations. During the ROPS 14-15A review, Finance requested financial records to support the cash 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 14-15A review period to properly identify the Agency's cash balances. If it is determined the Agency possesses cash balances that are available to pay approved obligations, the Agency should request the use of these cash balances prior to requesting RPTTF in ROPS 14-15B.

Please refer to the ROPS 14-15A schedule that was used to calculate the approved RPTTF amount:

<http://www.dof.ca.gov/redevelopment/ROPS>

Absent a Meet and Confer, this is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2014. This determination only applies 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 section 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 Alexander 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