



March 29, 2013

Mr. Jim DellaLunga, Senior Project Manager
Economic Development Department
City of Garden Grove Successor Agency
11222 Acacia Parkway
Garden Grove, CA 92840

Dear Mr. DellaLunga:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Garden Grove Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14A) to the California Department of Finance (Finance) on February 13, 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 obligation(s):

- Item No. 9 – Coastline Lease Payments in the amount of \$101,893. Based on a review of the supporting documentation, this item represents the cost of leasing office and administrative space from the Coastline Community College District; therefore, this item is considered general administration in nature and has been reclassified.
- Item No. 17 – Housing monitoring costs in the amount of \$175,000. 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 RDA, all rights, powers, duties, obligations, and housing assets shall be transferred to the city, county, or city and county. Since the City of Garden Grove assumed the housing functions, the monitoring costs associated with these functions are the responsibility of the housing successor. Therefore, this item is not an enforceable obligation and is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.
- Item No. 22 – Brookhurst Triangle Disposition and Development Agreement (DDA) in the amount of \$835,000. It is our understanding funding for this item is for the acquisition and transfer of land along with existing land to a developer through the DDA. In return for developing the land, the developer will also be subsidized through future incentive subsidies. A DDA in itself is not entirely enforceable, but only enforceable to the extent legally binding agreements are in place prior to June 27, 2011.

Since both the acquisition of additional property and the transfer of property will require additional legally binding agreements to be executed, this item is not an enforceable

obligation, and therefore, not eligible for RPTTF funding. HSC section 34163 (b) prohibits an RDA from entering into any agreements after June 27, 2011. Additionally, HSC section 34163 (e) states the agency shall not have the authority to acquire real property by any means for any purpose, and HSC section 34163 (f) prohibits the transfer, assign, vest, or delegation of any assets, funds, rights, powers, ownership interests, or obligations for any purpose to any entity.

- Item No. 32 – Garden Grove Unified School District pass-through payments in the amount of \$1.3 million. Per HSC section 34183 (a) (1), the county auditor-controller will make the required pass-through payments starting with the July through December 2012 ROPS. Therefore, this item is not eligible for RPTTF funding.
- Claimed administrative costs exceed the administrative cost allowance by \$143,930. HSC section 34171 (b) limits fiscal year 2013-14 administrative expenses to three percent of property tax allocated to the successor agency or \$250,000, whichever is greater. As a result, the Agency is eligible for \$250,000 in administrative expenses; therefore, \$143,930 in 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 \$8,187,546 as summarized below:

Approved RPTTF Distribution Amount For the period of July through December 2013	
Total RPTTF funding requested for obligations	\$ 9,734,555
Minus: Six-month total for items denied or reclassified as administrative cost	
Item 9*	101,893
Item 17	87,500
Item 22	300,000
Item 32	1,307,616
Total approved RPTTF for enforceable obligations	\$ 7,937,546
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost	250,000
Minus: ROPS II prior period adjustment	-
Total RPTTF approved for distribution:	\$ 8,187,546

* Reclassified as an 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%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. Matthew J. Fertal, City Manager, City of Garden Grove
Mr. Frank Davies, Property Tax Manager, Orange County
California State Controller's Office