



May 27, 2012

Ramona Castañeda, Fiscal Services Manager
City of Fullerton
303 W. Commonwealth Avenue
Fullerton, CA 92832-1775

Dear Ms. Castañeda:

Subject: Recognized Obligation Payment Schedule Approval Letter

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the City of Fullerton (City) Successor Agency (Agency) submitted Recognized Obligation Payment Schedules (ROPS) to the California Department of Finance (Finance) on May 22, 2012 for January through December 2012. Finance is assuming appropriate oversight board approval. Finance has completed its review of your ROPS, which may have included obtaining clarification for various items.

HSC section 34171 (d) lists enforceable obligation (EO) characteristics. Based on a sample of line items reviewed and application of the law, the following do not qualify as EOs:

- Form A, item 1 for an Owner Participation Agreement in the amount of \$6.3 million. The agreement provided in support of this line item does not include a requirement for the former RDA to make payments, thus this item is not an EO.
- The following items totaling \$29 million are for agreements and contracts executed by the City, not the former RDA, and are thus not EOs of the Agency:

Item No.	Form	Project Name	Amount
6	A	Fullerton Community Center	22,400,000
7	A	Fullerton Main Library	150,000
9	A	State College Grade Separation	5,000,000
10	A	Project T - Grant Match	98,000
12	A	Downtown Core & Corridors Specific Plan	1,321,860
Total			\$ 28,969,860

- Form A, items 13, 14 and 15 totaling \$340.1 million for March and June 2011 Cooperative Agreements with the City. HSC section 34171(d) (2) states that agreements, contracts, or arrangements between the city, county, or city and county that created the redevelopment agency and the former redevelopment agency are not enforceable obligations. Furthermore, it is our understanding that no contracts for these line items were in place as of June 27, 2011.

- Form A, items No. 16 and 17 totaling \$58.5 million for bond financed projects. It is our understanding that no contracts are in place for these projects. HSC section 34163 (b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011.
- Administrative cost exceeds allowance by \$18,012 for January through June 2012. HSC Section 34171 (b) limits administrative expenses for fiscal year 2011-12 to five percent of property tax allocated to the successor agency or \$250,000, whichever is greater. Five percent of the property tax allocated is \$578,103. Therefore, \$18,012 of the claimed \$596,115 is not an EO (see Attachment for calculation).

Except for the preceding items disallowed in whole or in part as enforceable obligations, Finance is approving the remaining items listed in your ROPS for both periods. This is our determination with respect to any items funded from the Redevelopment Property Tax Trust Fund (RPTTF) for the June 1, 2012 property tax allocations. If your oversight board disagrees with our determination with respect to any items not funded with property tax, any future resolution of the disputed issue may be accommodated by amending the ROPS for the appropriate time period. Items not questioned during this review are subject to a subsequent review, if they are included on a future ROPS. If an item included on a future ROPS is not an enforceable obligation, Finance reserves the right to remove that item from the future ROPS, even if it was not removed from the preceding ROPS.

Please refer to Exhibit 12 at http://www.dof.ca.gov/assembly_bills_26-27/view.php for the amount of RPTTF that was approved by Finance based on the schedule submitted.

As you are aware the amount of available RPTTF is the same as the property tax increment that was available prior to ABx1 26. 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 in the RPTTF.

Please direct inquiries to Evelyn Suess, Supervisor or Brian Dunham, Lead Analyst at (916) 322-2985.

Sincerely,



MARK HILL
Program Budget Manager

cc: Mr. Frank Davies, Administrative Manager, Auditor-Controller's Office, Orange County

Administrative Cost Allowance Calculation

Administrative Cap for January to June 2012	
Total RPTTF claimed, all pages	\$ 21,767,673
Less amounts qualifying as administrative expenses	596,115
Less denied items funded by RPTTF	<u>9,609,498</u>
Total funded from RPTTF:	11,562,060
5% Property tax allocation:	578,103
Allowable Administrative Costs (Greater of 5% or \$250,000):	<u>\$ 578,103</u>

Administrative Cost Claimed for January to June 2012			
Project Area	Item	Description	
Form A	18	Professional/Legal Services	\$30,000
Form C	1	Administrative expenses	<u>566,115</u>
		Total:	596,115
		Allowable Administrative Costs:	<u>578,103</u>
		Amount Disallowed (Total - Allowable Administrative Costs):	<u>\$ 18,012</u>