



April 15, 2019

Mr. Jim Vanderpool, City Manager
City of Buena Park
6650 Beach Boulevard
Buena Park, CA 90621

Dear Mr. Vanderpool:

Subject: 2019-20 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Buena Park Successor Agency (Agency) submitted an annual Recognized Obligation Payment Schedule for the period of July 1, 2019 through June 30, 2020 (ROPS 19-20) to the California Department of Finance (Finance) on January 31, 2019. Finance has completed its review of the ROPS 19-20.

Based on a sample of line items reviewed and application of the law, Finance made the following determinations:

- Item No. 6 – Jonathan Lehrer-Graiwer Judgment (Judgment) in the total outstanding obligation amount of \$103,824,908 is not allowed. Finance continues to deny this item. The Agency contends the item is an enforceable obligation because the Judgment, which was entered by a competent court of law, requires the Agency to deposit 25 percent of gross tax increment into a separate Low and Moderate Income Housing Fund to be used for low and moderate income housing purposes. Because there are no longer such taxes allocated to the Agency, there are no longer required set-asides to enforce. Therefore, this item is not an enforceable obligation and the requested amount of \$11,005,114 is ineligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.
- Item No. 19 – Entertainment Corridor Action Plan funded with \$1,330,000 in Bond Proceeds. The Agency received a Finding of Completion on April 26, 2013 and is allowed to expend bond proceeds derived from bonds issued prior to January 1, 2011 (pre-2011 bond proceeds) in a manner consistent with the bond covenants. Our approval is specifically limited to the use of excess pre-2011 bond proceeds pursuant to HSC section 34191.4 (c) (1). Such approval, however, should not be construed as approval of the project itself as an enforceable obligation.
- Item No. 66 – City of Buena Park (City) Loan, total outstanding obligation amount of \$5,374,935, is not allowed. Finance continues to deny this item. Pursuant to HSC section 34191.4 (b), loan agreements between the former Redevelopment Agency (RDA) and sponsoring entity may be placed on the ROPS if the following requirements are met: (1) the Agency has received a Finding of Completion and (2) the Agency's Oversight Board (OB) approves the loan as an enforceable obligation by finding the loan was for legitimate redevelopment purposes. The Agency received a Finding of Completion on April 26, 2013.

However, Finance denied the Agency's OB Resolution No. OB-37, reestablishing loan agreements as enforceable obligations and taking certain related actions, in our determination letter dated March 2, 2016. Finance denied a subsequent request for this item in our determination letter dated May 17, 2016.

During ROPS 17-18, the Agency provided various documents approving the loan amounts and loan payments, which included Buena Park City Council meeting minutes, budgets, Comprehensive Annual Financial Statements, and Statements of Indebtedness. However, the documents were insufficient to verify an actual transfer of monies from the City to the former RDA occurred or that the former RDA was obligated to repay the money it received pursuant to a required payment schedule as required by HSC section 34191.4 (b) (2) (A).

In addition, the Agency was unable to provide other loan agreements executed by the former RDA that obligated the former RDA to repay the money. Finally, the Agency was unable to provide accounting records, cancelled checks, or general ledger reports to confirm the receipt of funds loaned by the City to the former RDA. Therefore, this item is not an enforceable obligation and the requested amount of \$5,374,935 is ineligible for RPTTF funding.

- The administrative costs claimed are within the fiscal year administrative cap pursuant to HSC section 34171 (b) (3). However, Finance notes the OB has approved an amount that appears excessive, given the number and nature of the obligations listed on the ROPS. HSC section 34179 (i) requires the OB to exercise a fiduciary duty to the taxing entities. Therefore, Finance encourages the OB to apply adequate oversight when evaluating the administrative resources necessary to successfully wind-down the Agency.

Pursuant to HSC section 34186, successor agencies are required to report differences between actual payments and past estimated obligations. Reported differences in RPTTF are used to offset current RPTTF distributions. The amount of RPTTF approved in the table on Page 4 includes the prior period adjustment resulting from the County Auditor-Controller's review of the prior period adjustment form submitted by the Agency.

Except for the items adjusted, Finance is not objecting to the remaining items listed on the ROPS 19-20. If the Agency disagrees with our determination with respect to any items on the ROPS 19-20, except items that are the subject of litigation disputing our previous or related determinations, the Agency 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 on our website:

[http://dof.ca.gov/Programs/Redevelopment/Meet And Confer/](http://dof.ca.gov/Programs/Redevelopment/Meet_And_Confer/)

The Agency's maximum approved RPTTF distribution for the reporting period is \$9,397,581 as summarized in the Approved RPTTF Distribution table on Page 4 (see Attachment).

RPTTF distributions occur biannually, one distribution for the July 1 through December 31 period (ROPS A period), and one distribution for the January 1 through June 30 period (ROPS B period) based on Finance approved amounts. Since this determination is for the entire ROPS 19-20 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

Absent a Meet and Confer, this is our final determination regarding the obligations listed on the ROPS 19-20. This determination only applies to items when funding was requested for the 12-month period. If a denial by Finance in a previous ROPS is currently the subject of litigation, the item will continue to be denied until the matter is resolved.

The ROPS 19-20 form submitted by the Agency and this determination letter will be posted on our website:

<http://dof.ca.gov/Programs/Redevelopment/ROPS/>

This determination is effective for the ROPS 19-20 period only and should not be conclusively relied upon for future ROPS periods. All items listed on a future ROPS are subject to review and may be denied even if not denied on this ROPS or a preceding ROPS. The only exception is for items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). Finance's review of Final and Conclusive items 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 available prior to the enactment of redevelopment dissolution law. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax increment is limited to the amount of funding available to the Agency in the RPTTF.

Please direct inquiries to Nichelle Jackson, Supervisor, or Michael Painter, Analyst, at (916) 322-2985.

Sincerely,



JENNIFER WHITAKER
Program Budget Manager

cc: Mr. Ruben Lopez, Economic Development Administrator, City of Buena Park
Mr. Israel M. Guevara, Administrative Manager, Property Tax Section, Orange County

Attachment

Approved RPTTF Distribution			
For the period of July 1, 2019 through June 30, 2020			
	ROPS A Period	ROPS B Period	ROPS 19-20 Total
RPTTF Requested	\$ 18,349,309	\$ 7,264,337	\$ 25,613,646
Administrative RPTTF Requested	125,000	125,000	250,000
Total RPTTF Requested	18,474,309	7,389,337	25,863,646
RPTTF Requested	18,349,309	7,264,337	25,613,646
<u>Adjustments</u>			
Item No. 6	(5,502,557)	(5,502,557)	(11,005,114)
Item No. 66	(5,374,935)	0	(5,374,935)
	(10,877,492)	(5,502,557)	(16,380,049)
RPTTF Authorized	7,471,817	1,761,780	9,233,597
Administrative RPTTF Authorized	125,000	125,000	250,000
Total RPTTF Authorized for Obligations	7,596,817	1,886,780	9,483,597
Prior Period Adjustment	(86,016)	0	(86,016)
Total RPTTF Approved for Distribution	\$ 7,510,801	\$ 1,886,780	\$ 9,397,581