

April 15, 2019

Ms. Ramona Castaneda, Revenue Manager  
City of Fullerton  
303 West Commonwealth Avenue  
Fullerton, CA 92832

Dear Ms. Castaneda:

Subject: 2019-20 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Fullerton 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 Nos. 19 and 20 – City of Fullerton (City) and Agency Cooperation Agreements (Agreements) dated January 29, 2011 and June 7, 2011 with outstanding obligation amounts totaling \$15,500,000 (\$14,000,000 and \$1,500,000, respectively), are not allowed. Finance continues to deny these items. The Agency contends the Agreements committed the former Redevelopment Agency (RDA) to fund the related capital improvement projects.

However, HSC 34171 (d) (2) states agreements, contracts, or arrangements between the former RDA and the city that created the RDA are not enforceable unless issued within two years of the RDA creation date or for issuance of indebtedness to third-party investors or bondholders. Further, the Agency did not provide any new documentation during the ROPS 19-20 review. Therefore, these line items are not enforceable obligations and the total requested amount of \$3,500,000 (\$2,000,000 + \$1,500,000) is ineligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.

- Item Nos. 23 and 28 – Affordable Housing Monitoring, Administration, and Reporting Contracts, outstanding obligation amounts totaling \$10,214,000 (\$9,954,000 and \$260,000, respectively) are not allowed. Finance continues to deny these items. HSC section 34176 requires “all rights, powers, duties, obligations, and housing assets...be transferred” to the new housing entity. Since the City Housing Division assumed the housing functions, this transfer of “duties and obligations” necessarily includes the transfer of administrative obligations. Further, the Agency did not provide any new documentation during the ROPS 19-20 review. Therefore, the total requested amount of \$380,000 (\$120,000 + \$260,000) is ineligible for RPTTF funding.
- Item No. 24 – Commercial Seismic and Rehab Loan Monitoring in the requested amount of \$12,000 has been reclassified from RPTTF to Administrative RPTTF. Although enforceable, the types of services requested are considered general and administrative in nature.

- Item No. 30 – Capital Improvement Projects, total outstanding obligation amount of \$95,000, is not allowed. Finance continues to deny this item for the following reasons:
  - The contract was entered into between the City and Griffin Structures; the former redevelopment agency (RDA) was not a party to the contract.
  - The cooperation agreement the RDA entered into with the City, dated January 29, 2011, which commits RDA funding to the City, was not enforceable pursuant to HSC 34171(d) (2), which states agreements, contracts, or arrangements between the former RDA and the city that created the RDA are not enforceable unless issued within two years of the RDA creation date or for issuance of indebtedness to third-party investors or bondholders.

Further, the Agency did not provide any new documentation during the ROPS 19-20 review. Therefore, this item is not an enforceable obligation and the requested amount of \$95,000 is ineligible for RPTTF funding.

- The Agency's claimed administrative costs exceed the allowance by \$12,000. HSC section 34171 (b) (3) limits the fiscal year Administrative Cost Allowance (ACA) to three percent of actual RPTTF distributed in the preceding fiscal year or \$250,000, whichever is greater, not to exceed 50 percent of the RPTTF distributed in the preceding fiscal year. As a result, the Agency's maximum ACA is \$271,837 for the fiscal year 2019-20. Although \$271,837 is claimed for the ACA, Item No. 24 is considered an administrative cost and should be counted toward the cap as explained above. Therefore, as noted in the table below, \$12,000 of excess ACA is not allowed:

<b>Administrative Cost Allowance Calculation</b>	
Actual RPTTF distributed for fiscal year 2018-19	\$ 9,401,300
Less distributed Administrative RPTTF	(340,083)
RPTTF distributed for 2018-19 after adjustment	<u>9,061,217</u>
ACA Cap for 2019-20 per HSC section 34171 (b)	271,837
ACA requested for 2019-20	271,837
Plus amount reclassified to ACA	<u>12,000</u>
<b>Total ACA</b>	<b><u>283,837</u></b>
<b>ACA in Excess of Cap</b>	<b>\$ (12,000)</b>

Further, Finance notes the Oversight Board (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.

- On the ROPS 19-20 form, the Agency reported cash balances and activity for the period July 1, 2016 through June 30, 2017 (ROPS 16-17). According to our review, the Agency has approximately \$120,389 from Other Funds available to fund enforceable obligations on the ROPS 19-20. HSC section 34177 (l) (1) (E) requires these balances to be used prior to requesting RPTTF. Therefore, the funding source for the following item has been reclassified in the amount specified below:
  - Item No. 4 – 2005 Tax Allocation Bonds, debt service payment in the amount of \$6,463,953 is partially reclassified from RPTTF to Other Funds. This item does not require payment from property tax revenues. Therefore, Finance is approving RPTTF in the amount of \$6,343,564 and the use of Other Funds in the amount of \$120,389, totaling \$6,463,953.

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 which 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/>

The Agency's maximum approved RPTTF distribution for the reporting period is \$11,761,122 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:

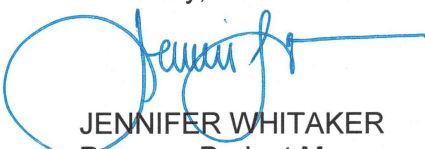
<http://dof.ca.gov/Programs/Redevelopment/ROPS/>

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 Veronica Zalvidea, Lead Analyst, at (916) 322-2985.

Sincerely,



JENNIFER WHITAKER  
Program Budget Manager

cc: Mr. Christine Pilapil, Project Manager, City of Fullerton  
Mr. Israel M. Guevara, Administrative Manager, Property Tax Section, Orange County

**Attachment**

<b>Approved RPTTF Distribution</b>			
<b>For the period of July 1, 2019 through June 30, 2020</b>			
	<b>ROPS A Period</b>	<b>ROPS B Period</b>	<b>ROPS 19-20 Total</b>
RPTTF Requested	\$ 11,379,097	\$ 4,231,743	\$ 15,610,840
Administrative RPTTF Requested	135,919	135,918	271,837
<b>Total RPTTF Requested</b>	<b>11,515,016</b>	<b>4,367,661</b>	<b>15,882,677</b>
<b>RPTTF Requested</b>	<b>11,379,097</b>	<b>4,231,743</b>	<b>15,610,840</b>
<u>Adjustments</u>			
Item No. 4	(120,389)	0	(120,389)
Item No. 19	(1,000,000)	(1,000,000)	(2,000,000)
Item No. 20	(500,000)	(1,000,000)	(1,500,000)
Item No. 23	(60,000)	(60,000)	(120,000)
Item No. 24	(6,000)	(6,000)	(12,000)
Item No. 28	(130,000)	(130,000)	(260,000)
Item No. 30	(47,500)	(47,500)	(95,000)
	(1,863,889)	(2,243,500)	(4,107,389)
<b>RPTTF Authorized</b>	<b>9,515,208</b>	<b>1,988,243</b>	<b>11,503,451</b>
<b>Administrative RPTTF Requested</b>	<b>135,919</b>	<b>135,918</b>	<b>271,837</b>
<u>Adjustment</u>			
Item No. 24	6,000	6,000	12,000
Excess Administrative Costs	0	(12,000)	(12,000)
<b>Administrative RPTTF Authorized</b>	<b>141,919</b>	<b>129,918</b>	<b>271,837</b>
<b>Total RPTTF Authorized for Obligations</b>	<b>9,657,127</b>	<b>2,118,161</b>	<b>11,775,288</b>
Prior Period Adjustment	(14,166)	0	(14,166)
<b>Total RPTTF Approved for Distribution</b>	<b>\$ 9,642,961</b>	<b>\$ 2,118,161</b>	<b>\$ 11,761,122</b>