



March 28, 2019

Mr. Jeffrey Kirkpatrick, Administrative Manager
Orange County
1770 North Broadway
Santa Ana, CA 92706

Dear Mr. Kirkpatrick:

Subject: 2019-20 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the Orange County 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 25, 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:

- 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 \$680,533 in 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 Redevelopment Property Tax Trust Fund (RPTTF). Therefore, with the Agency's concurrence, the funding source for the following items have been reclassified in the amount specified below:

Item No.	Item Name/Project Name	Requested	Authorized		
		RPTTF	RPTTF	Other Funds	Total
41	2014 Tax Allocation Bonds	\$2,708,250	\$2,330,435	\$377,815	\$2,708,250
42	2014 Tax Allocation Bonds	\$2,020,575	\$1,717,857	\$302,718	\$2,020,575
Total		\$4,728,825	\$4,048,292	\$680,533	\$4,728,825

- The Agency's claimed administrative costs exceed the allowance by \$47,000. 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 \$250,000 for fiscal year 2019-20. Although \$297,000 is claimed for ACA, only \$250,000 is available pursuant to the cap. Therefore, as noted in the table below, \$47,000 in excess ACA is not allowed:

Administrative Cost Allowance Calculation	
Actual RPTTF distributed for fiscal year 2018-19	\$ 2,328,627
Less distributed Administrative RPTTF	(311,262)
RPTTF distributed for 2018-19 after adjustments	2,017,365
ACA Cap for 2019-20 per HSC section 34171 (b)	250,000
ACA requested for 2019-20	297,000
ACA in Excess of the Cap	\$ (47,000)

Additionally, while the administrative costs claimed are within the fiscal year administrative cap pursuant to HSC section 34171 (b) (3), 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.

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/>

The Agency's maximum approved RPTTF distribution for the reporting period is \$11,374,837 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, Lead Analyst, at (916) 322-2985.

Sincerely,



JENNIFER WHITAKER
Program Budget Manager

cc: Mr. Bill Malohn, Accounting Manager, Orange County
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	\$ 7,398,948	\$ 4,742,510	\$ 12,141,458
Administrative RPTTF Requested	139,300	157,700	297,000
Total RPTTF Requested	7,538,248	4,900,210	12,438,458
RPTTF Requested	7,398,948	4,742,510	12,141,458
<u>Adjustments</u>			
Item No. 41	0	(377,815)	(377,815)
Item No. 42	0	(302,718)	(302,718)
	0	(680,533)	(680,533)
RPTTF Authorized	7,398,948	4,061,977	11,460,925
Administrative RPTTF Requested	139,300	157,700	297,000
Excess Administrative Costs	0	(47,000)	(47,000)
Administrative RPTTF Authorized	139,300	110,700	250,000
Total RPTTF Authorized for Obligations	7,538,248	4,172,677	11,710,925
Prior Period Adjustment	(336,088)	0	(336,088)
Total RPTTF Approved for Distribution	\$ 7,202,160	\$ 4,172,677	\$ 11,374,837