

Orange Countywide Oversight Board

Date: 9/26/2019

Agenda Item No. 10B

From: Successor Agency to the Fountain Valley Agency for Community Redevelopment

Subject: Straw Vote of the Countywide Oversight Board Regarding Administrative Budget

Recommended Action:

Hold a straw vote regarding FY 2020-21 Administrative Budget for the Successor Agency to the Fountain Valley Agency for Community Development

The Successor Agency to the Fountain Valley Agency for Community Development (“Fountain Valley Successor Agency”) is performing its functions under the Dissolution Law, Parts 1.8 and 1.85 of the Health and Safety Code (“HSC”), as amended by Assembly Bill 1484 and other subsequent legislation (together, “Dissolution Law”), to administer the enforceable obligations and otherwise unwind the affairs of the former Fountain Valley Agency for Community Development (“Former Agency”).

The Dissolution Law authorizes an administrative cost allowance to provide funds for successor agencies to wind-down the affairs of the former redevelopment agency. While Section 34171(b)(3) authorizes an allowance of up to 3% of Redevelopment Property Tax Trust Fund (“RPTTF”) and not less than \$250,000 in any fiscal year (“FY”), since July 1, 2016 under Section 34171(b)(4) and (5), a successor agency’s annual administrative costs and thereby the allowance cannot exceed 50% of RPTTF distributed in the preceding fiscal year to pay enforceable obligations and that amount must be further reduced by the prior fiscal year’s administrative cost allowance and City/Agency loan repayments, if any, under Section 34191(b).

Applying the above statutory formula for the ROPS 2020-21 A-B fiscal period, the maximum administrative cost allowance for the Fountain Valley Successor Agency is \$48,448, calculated as follows: \$142,907 (RPTTF received in FY 2019-20 to pay enforceable obligations), *less* \$46,011 (DOF-approved administrative cost allowance), equals \$96,896 x 50% equals \$48,448 (maximum allowance for FY 2020-21).

The Fountain Valley Successor Agency has reevaluated the administrative resources necessary during FY 2020-21 for the continued wind-down of the affairs of the Former Agency. Therefore, the administrative cost allowance requested for ROPS 2020-21 A-B is \$14,283, which is approximately 69% *lower* than the allowance approved in FY 2019-20, and \$34,165 *less* than the amount allowed under the Dissolution Law for FY 2020-21.

The Administrative Budget (Attachment 1) for FY 2020-21 outlines the responsibilities and related costs associated with the administration of the Fountain Valley Successor Agency, which includes personnel costs associated with three employees *directly* involved with administrative activities associated with the Successor Agency and other direct costs including contract services, audit services and legal services.

In connection with its consideration of this agenda item, the Oversight Board requested copies of any letters from the State of California Department of Finance (DOF) related to administrative costs.

Attached are five (5) letters from the DOF that were received regarding administrative costs as claimed and as DOF approved on each annual ROPS for the periods FY 2015-16 through 2019-20.

The Oversight Board also requested copies of the Administrative Budgets that were approved in the two previous fiscal years. Therefore, the Administrative Budgets for FY 2018-19 and FY 2019-20 are attached, which included an administrative budget of \$160,000 and \$46,011, respectively, for each fiscal year. However, it should be noted the estimated amount charged for administrative costs amounted to \$19,783 and \$14,500, respectively for FY 2018-19 and FY 2019-20, thus the pared down amount requested for ROPS 2020-21 A-B of \$14,283.

The Fountain Valley Successor Agency requests that the Orange Countywide Oversight Board take a straw vote of the draft Administrative Budget of \$14,283 for Fiscal Year 2020-21. The Successor Agency intends to submit to the Oversight Board the final Administrative Budget as a part of ROPS 2020-21 A-B for FY 2020-21 for consideration in January 2020.

Staff Contact

Jason Al-Imam, Finance Director, is the primary staff contact on this item and can be contacted via email at jason.alimam@fountainvalley.org.

Attachments

- Attachment 1 – Draft Administrative Budget for FY 2020-21
- Attachment 2 – FY 2018-19 Administrative Budget (including estimated actual amounts)
- Attachment 3 – FY 2019-20 Administrative Budget (including estimated actual amounts)
- Attachment 4 – DOF Determination Letter ROPS 2015-16 A-B
- Attachment 5 – DOF Determination Letter ROPS 2016-17 A-B
- Attachment 6 – DOF Determination Letter ROPS 2017-18 A-B
- Attachment 7 – DOF Determination Letter ROPS 2018-19 A-B
- Attachment 8 – DOF Determination Letter ROPS 2019-20 A-B

SUCCESSOR AGENCY TO THE FOUNTAIN VALLEY AGENCY FOR COMMUNITY DEVELOPMENT
DRAFT ADMINISTRATIVE BUDGET FOR FISCAL YEAR 2020-21

DIRECT PERSONNEL COSTS						
Employee Classification	Department	Annual Cost of Salaries & Benefits	Hourly Rate	Successor Agency Hours	Administrative Allocation	
					% Percentage	\$ Amount
Finance Director	Finance	\$228,845	\$110.02	14	0.67%	\$1,540
Accounting Manager	Finance	150,287	72.25	32	1.54%	2,312
Budget Analyst	Finance	138,384	66.53	14	0.67%	931
TOTAL DIRECT PERSONNEL COSTS						4,783
<u>Primary Responsibilities:</u>						
<ul style="list-style-type: none"> • Process payments for enforceable obligations • Maintain documentation of Agency financial and other records • Coordinate with consultant to answer questions and provide documentation as requested by Oversight Board, County Auditor-Controller, and Department of Finance • Coordinate with auditors to audit the Successor Agency • Coordinate and hold Successor Agency meetings • Prepare staff reports, resolutions and the administrative budget 						
OTHER DIRECT COSTS						
Contract Services						3,000
<u>Primary Responsibilities:</u>						
<ul style="list-style-type: none"> • Prepare ROPS and PPA • Coordinate with and answer questions for the Oversight Board, County Auditor-Controller, and Department of Finance • Monitor and project cash flow to ensure sufficient revenues for obligations and inform Agency staff of expected revenues 						
Successor Agency Audit Services						3,000
<u>Primary Responsibilities:</u>						
<ul style="list-style-type: none"> • Audit the Successor Agency's financial statements, which is performed by an independent certified public accounting firm in accordance with <i>generally accepted auditing standards</i> and the standards applicable to financial audits contained in <i>Government Auditing Standards</i>, issued by the Comptroller General of the United States 						
Successor Agency Legal Services						3,500
<u>Primary Responsibilities:</u>						
<ul style="list-style-type: none"> • Review staff reports and resolutions • Provide legal services as needed 						
TOTAL OTHER DIRECT COSTS						9,500
TOTAL ADMINISTRATIVE BUDGET						\$14,283

SUCCESSOR AGENCY TO THE FOUNTAIN VALLEY AGENCY FOR COMMUNITY DEVELOPMENT
ADMINISTRATIVE BUDGET FISCAL YEAR 2018-19
FOR JULY 1, 2018 to JUNE 30, 2019

Expense Category	Responsibilities	FY 2018-19 Approved Budget	FY 2018-19 Estimated Amounts
Salaries and Wages			
Staff salaries, benefits, and payroll taxes	<ul style="list-style-type: none"> • Process payment of enforceable obligations • Maintain documentation of Agency financial and other records • Coordinate with consultant to answer questions and provide documentation as requested by Oversight Board, County Auditor-Controller, and Department of Finance • Coordinate with auditors to audit Successor Agency fund • Coordinate and hold Successor Agency meetings • Prepare staff reports, resolutions and the administrative budget 	\$26,017	\$8,024
TOTAL		\$26,017	\$8,024
Maintenance and Operations			
Contract services	<ul style="list-style-type: none"> • Prepare ROPS and PPA • Coordinate with and answer questions for Oversight Board, County Auditor-Controller, and Department of Finance • Monitor and project cash flow to ensure sufficient revenues for obligations and to inform Agency staff of expected revenues 	\$64,683	\$5,090
Audit fees	<ul style="list-style-type: none"> • Audit fees for the Successor Agency's portion of the audited financial statements 	\$5,000	\$3,050
Legal services	<ul style="list-style-type: none"> • Review staff reports and resolutions • Provide legal services as needed 	\$60,000	\$3,619
Operating and overhead costs	<ul style="list-style-type: none"> • Successor Agency share of City Hall overhead and operating costs (supplies, utilities, etc.) 	\$4,300	\$0
TOTAL		\$133,983	\$11,759
TOTAL BUDGET		\$160,000	\$19,783

**SUCCESSOR AGENCY TO THE FOUNTAIN VALLEY AGENCY FOR COMMUNITY DEVELOPMENT
ADMINISTRATIVE BUDGET FISCAL YEAR 2019-20
FOR JULY 1, 2019 to JUNE 30, 2020**

Expense Category	Responsibilities	FY 2019-20 Approved Budget	FY 2019-20 Estimated Amounts
Salaries and Wages			
Staff salaries, benefits, and payroll taxes	<ul style="list-style-type: none"> • Process payment of enforceable obligations • Maintain documentation of Agency financial and other records • Coordinate with consultant to answer questions and provide documentation as requested by Oversight Board, County Auditor-Controller, and Department of Finance • Coordinate with auditors to audit Successor Agency fund • Coordinate and hold Successor Agency meetings • Prepare staff reports, resolutions and the administrative budget 	\$28,011	\$5,000
TOTAL		\$28,011	\$5,000
Maintenance and Operations			
Contract services	<ul style="list-style-type: none"> • Prepare ROPS and PPA • Coordinate with and answer questions for Oversight Board, County Auditor-Controller, and Department of Finance • Monitor and project cash flow to ensure sufficient revenues for obligations and to inform Agency staff of expected revenues 	\$5,000	\$3,000
Audit fees	<ul style="list-style-type: none"> • Audit fees for the Successor Agency's portion of the audited financial statements 	\$5,000	\$3,000
Legal services	<ul style="list-style-type: none"> • Review staff reports and resolutions • Provide legal services as needed 	\$5,000	\$3,500
Operating and overhead costs	<ul style="list-style-type: none"> • Successor Agency share of City Hall overhead and operating costs (supplies, utilities, etc.) 	\$3,000	\$ -
TOTAL		\$18,000	\$9,500
TOTAL BUDGET		\$46,011	\$14,500



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October 23, 2015

Mr. David Cain, Finance Director
City of Fountain Valley
10200 Slater Avenue
Fountain Valley, CA 92708

Dear Mr. Cain:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m) (1) (A), the City of Fountain Valley Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule for the period January 1 through June 30, 2016 (ROPS 15-16B) to the California Department of Finance (Finance) on September 23, 2015. Finance has completed its review of the ROPS 15-16B.

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

- Item No. 4 – 2003 Certificates of Participation in the amount of \$2,820,856 requested for ROPS 15-16B and a total outstanding balance of \$8,178,672 is not allowed. Finance continues to deny this item. Finance initially denied this item because the bond is secured solely through lease payments of the City of Fountain Valley (City) and there is no requirement to fund this bond through tax increment. The Agency contends the item is an enforceable obligation because there is an Assignment Agreement, entered into on December 1, 2009, between the former redevelopment agency (RDA) and the City in which the former RDA assumed the City's obligation to make lease payments to the Fountain Valley Financing Authority (Authority) in conjunction with the Authority's 2003 Certificates of Participation.

Pursuant to the Assignment Agreement, the Agency assumed 100 percent of the City's obligation using tax increment as the source of funds to make the lease payments. The Agency contends that the agreement is an enforceable obligation as it meets the exception under HSC section 34171 (d) (2). This section states that written agreements entered into at the time of issuance, but in no event later than December 31, 2010, of indebtedness obligations, and solely for the purpose of securing or repaying those indebtedness obligations may be deemed enforceable obligations. Based on our review, although the Assignment Agreement was entered into before December 31, 2010 and for the sole for the purpose of securing or repaying indebtedness obligations, it was not entered into at the time of issuance of the indebtedness obligations as required in HSC section 34171 (d) (2). Therefore, this item is not an enforceable obligation.

- Item No. 7 – Mike Thompson, Owner Participation Agreement (OPA) in the amount of \$1,157,702 is not allowed. Finance continues to deny this item. The Agency refers to the OPA as a Ground Lease, which was between the City and Mike Thompson's Recreational Vehicle (MTRV). Finance initially denied this item because the former RDA was not a party to the agreement.

The Agency contends the Ground Lease, dated July 18, 2002 between the City and MTRV (Ground Lease), in conjunction with the Agency Payment Agreement, dated July 16, 2002 between the City and the former RDA, creates an obligation of the Agency to MTRV. However, under the Ground Lease, it is the City's obligation to pay the tenant or MTRV fifty percent (50%) of the sales tax generated from the tenant's Fountain Valley sales operations if the total amount exceeds \$300,000.

However, based on our review, the Ground Lease's reference to the City's agreement with the former RDA does not create an obligation of the Agency owed to the tenant. In fact, Section 3.4 of the Ground Lease specifically provides that the former RDA's obligations to the City under the Agency Payment Agreement do not impact or impair the City's obligations to pay the tenant. Additionally, the fact that the former RDA owed no obligation to the tenant is further demonstrated by the tenant's remedies if the tenant did not receive amounts owed under the Ground Lease from the City. Section 3.4 of the Ground Lease states that if the City is "unable for any reason (for example, as a result of the application an existing or new law...)" to pay the tenant its share of the sales tax, the tenant could offset rents owed to the City, or the tenant could treat amounts owed by the City as a Tenant Improvement allowance to be paid in installments by the City for tenant improvements that were to be paid by the tenant. Section 3.4 provides no remedies against the former RDA.

Further, the obligation owed by the former RDA to the City under the Agency Payment Agreement has been invalidated by Dissolution Law. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city, county, or city and county that created the former RDA and the former RDA are not enforceable obligations. Therefore, this item is not an enforceable obligation.

- Item No. 17 – Legal Services in the amount of \$25,000 have been reclassified to the administrative cost allowance (ACA), and therefore, claimed administrative costs exceed the allowance by \$25,000. Pursuant to HSC section 34171 (d) (1) (F) (i), legal expenses related to civil actions, including writ proceeding, contesting the validity of the dissolution law, or challenging acts taken pursuant to the dissolution law shall only be payable out of the ACA.

Additionally, HSC section 34171 (b) (2) limits fiscal year 2015-16 administrative expenses to three percent of the RPTTF funds allocated to the Redevelopment Obligation Retirement Fund for the fiscal year or \$250,000. The Orange County Auditor-Controller distributed \$125,000 for the July through December 2015 period, thus leaving a balance of \$125,000 available for the January through June 2016 period. Although \$125,000 is claimed for ACA, Item No. 17 for Legal Services in the amount of \$25,000 is considered a general administrative cost and should be counted toward the cap. Therefore, \$25,000 of excess administrative costs is not allowed.

- Item No. 18 – Housing Successor Entity Administrative Cost Allowance in the amount of \$150,000 is not allowed. Finance continues to deny this item. Pursuant to HSC section

34177 (p), the housing entity administrative cost allowance is applicable only in cases where the city, county, or city and county that authorized the creation of the redevelopment agency elected to not assume the housing functions. Because the housing entity to the former redevelopment agency of the City is the City-formed Housing Authority (Authority) and the Authority operates under the control of the City, the Authority is considered the City under Dissolution Law. Therefore, \$150,000 of housing entity administrative allowance is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.

Finally, although the administrative costs claimed are within the fiscal year administrative cap pursuant to HSC section 34171 (b) (2), Finance notes the oversight board 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 oversight board to exercise a fiduciary duty to the taxing entities. Therefore, Finance encourages the oversight board to use adequate discretion when evaluating the administrative resources required to successfully wind-down the Agency.

Pursuant to HSC section 34186 (a) (1), the Agency was required to report on the ROPS 15-16B form the estimated obligations versus actual payments (prior period adjustment) associated with the January through June 2015 period (ROPS 14-15B). HSC section 34186 (a) (1) also specifies the prior period adjustment self-reported by the Agency is subject to review by the county auditor-controller (CAC). The amount of RPTTF approved in the table below includes the prior period adjustment resulting from the CAC's review of the Agency's self-reported prior period adjustment.

Except for the items denied in whole or in part or the item that has been reclassified, Finance is not objecting to the remaining items listed on your ROPS 15-16B. If you disagree with Finance's determination with respect to any items on your ROPS 15-16B, except for those items which are the subject of litigation disputing Finance's previous or related determinations, 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 RPTTF distribution for the reporting period is \$821,715 as summarized in the Approved RPTTF Distribution table below:

Approved RPTTF Distribution	
For the period of January through June 2016	
Total RPTTF requested for non-administrative obligations	5,174,983
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations on ROPS 15-16B	\$ 5,299,983
Total RPTTF requested for non-administrative obligations	5,174,983
<u>Denied Items</u>	
Item No. 4	(2,820,856)
Item No. 7	(1,157,702)
Item No. 18	(150,000)
	(4,128,558)
<u>Reclassified Item</u>	
Item No. 17	(25,000)
Total RPTTF authorized for non-administrative obligations	\$ 1,021,425
Total RPTTF requested for administrative obligations	125,000
<u>Reclassified Item</u>	
Item No. 17	25,000
Administrative costs in excess of the cap (see Admin Cost Cap table below)	(25,000)
Total RPTTF authorized for administrative obligations	\$ 125,000
Total RPTTF authorized for obligations	\$ 1,146,425
ROPS 14-15B prior period adjustment	(324,710)
Total RPTTF approved for distribution	\$ 821,715

Administrative Cost Cap Calculation	
Total RPTTF for 15-16A (July through December 2015)	1,011,926
Total RPTTF for 15-16B (January through June 2016)	1,021,425
Less approved unfunded obligations from prior periods	0.
Total RPTTF for fiscal year 2015-2016	2,033,351
Administrative cost cap for fiscal year 2015-16 (Greater of 3% of Total RPTTF or \$250,000)	250,000
Administrative allowance for ROPS 15-16A (July through December 2015)	(125,000)
Remaining administrative cost cap for ROPS 15-16B	125,000
ROPS 15-16B administrative obligations after Finance adjustments	(150,000)
Administrative costs in excess of the cap	\$ (25,000)

On the ROPS 15-16B form, the Agency reported cash balances and activity for the period January 1 through December 31, 2015. Finance will perform a review of the Agency's self-reported cash balances on an ongoing basis. Please be prepared to submit financial records and bridging documents to support the cash balances reported upon request. If it is determined the Agency possesses cash balances that are available to pay approved obligations, HSC section 34177 (l) (1) (E) requires these balances be used prior to requesting RPTTF.

Please refer to the ROPS 15-16B schedule used to calculate the total RPTTF approved for distribution:

<http://www.dof.ca.gov/redevelopment/ROPS>

Absent a Meet and Confer, this is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2016. This determination

only applies to items when funding was requested for the six-month period. Finance's determination is effective for this time 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 it was 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 the redevelopment dissolution statutes. 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 Agency in the RPTTF.

Please direct inquiries to Nichelle Thomas, Supervisor or Alexander Watt, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Program Budget Manager

cc: Ms. Jane Carlson, Consultant, Rosenow Spevacek Group, Inc.
Mr. Frank Davies, Property Tax Manager, Orange County



**DEPARTMENT OF
FINANCE**

EDMUND G. BROWN JR. • GOVERNOR

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April 1, 2016

Mr. David Cain, Finance Director
City of Fountain Valley
10200 Slater Avenue
Fountain Valley, CA 92708

Dear Mr. Cain:

Subject: 2016-17 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Fountain Valley Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule for the period July 1, 2016 through June 30, 2017 (ROPS 16-17) to the California Department of Finance (Finance) on January 29, 2016. Finance has completed its review of the ROPS 16-17.

Based on our review, Finance is approving all of the items listed on the ROPS 16-17 at this time. However, Finance notes the following:

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

On the ROPS 16-17 form, the Agency reported cash balances and activity for the period of July 1, 2015 through June 30, 2016. Finance performs a review of the Agency's self-reported cash balances on an ongoing basis. Be prepared to submit financial records and bridging documents to support the cash balances reported upon request. If it is determined the Agency possesses cash balances that are available to pay approved enforceable obligations, HSC section 34177 (l) (1) (E) requires these balances to be used prior to requesting RPTTF.

The Agency's maximum approved RPTTF distribution for the reporting period is \$1,665,042 as summarized in the Approved RPTTF Distribution Table on Page 3 (See Attachment).

ROPS distributions will occur twice annually, one distribution for the July 1, 2016 through December 31, 2016 (ROPS A period), and one distribution for the January 1, 2017 through June 30, 2017 (ROPS B period) based on Finance's approved amounts. Since Finance's determination is for the entire ROPS 16-17 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

Mr. David Cain
April 1, 2016
Page 2

On the ROPS 16-17 form, the Agency was not required to report the estimated obligations versus actual payments (prior period adjustment) associated with the July 1, 2015 through December 31, 2015 period (ROPS 15-16A). The Agency will report actual payments for ROPS 15-16A and ROPS 15-16B on the ROPS 18-19 form pursuant to HSC section 34186 (a) (1). A prior period adjustment will be applied to the Agency's future RPTTF distribution. Therefore, the Agency should retain any difference in unexpended RPTTF.

Please refer to the ROPS 16-17 schedule used to calculate the total RPTTF approved for distribution:

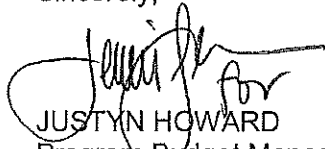
<http://www.dof.ca.gov/redevelopment/ROPS>

Absent a Meet and Confer, this is Finance's determination related to the enforceable obligations reported on your ROPS for the period July 1, 2016 through June 30, 2017. This determination only applies to items when funding was requested for the 12-month period. Finance's determination is effective for this time 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 it was 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 the redevelopment dissolution statutes. 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 Agency in the RPTTF.

Please direct inquiries to Nichelle Thomas, Supervisor, or Alexander Watt, Lead Analyst at (916) 445-1546.

Sincerely,


JUSTYN HOWARD
Program Budget Manager

cc: Ms. Jane Carlson, RSG (Consultant), City of Fountain Valley
Mr. Frank Davies, Property Tax Manager, Orange County

Attachment

Approved RPTTF Distribution For the period of July 2016 through June 2017			
	ROPS A Period	ROPS B Period	Total
Requested RPTTF (excluding administrative obligations)	\$ 632,521	\$ 782,521	\$ 1,415,042
Requested Administrative RPTTF	125,000	125,000	250,000
Total RPTTF requested for 2016-17	757,521	907,521	\$ 1,665,042
Total RPTTF authorized	632,521	782,521	1,415,042
Total Administrative RPTTF authorized	125,000	125,000	250,000
Total RPTTF approved for distribution	757,521	907,521	\$ 1,665,042



April 3, 2017

Mr. David Cain, Finance Director
City of Fountain Valley
10200 Slater Avenue
Fountain Valley, CA 92708

Dear Mr. Cain:

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Fountain Valley Successor Agency (Agency) submitted an annual Recognized Obligation Payment Schedule for the period July 1, 2017 through June 30, 2018 (ROPS 17-18) to the California Department of Finance (Finance) on January 25, 2017. Finance has completed its review of the ROPS 17-18.

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

- The administrative costs claimed are within the fiscal year administrative cap pursuant to HSC section 34171 (b) (3). However, Finance notes the Oversight Board (OB) has approved an amount that appears excessive, given the number and nature of the other 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 required to successfully wind-down the Agency.
- On the ROPS 17-18 form, the Agency reported cash balances and activity for the period of January 1, 2016 through June 30, 2016. Pursuant to HSC section 34177 (l) (1) (E), the Agency is required to use all available funding sources prior to Redevelopment Property Tax Trust Fund (RPTTF) funding for payment of enforceable obligations. During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should be used prior to requesting RPTTF.

Therefore, with the Agency's concurrence, the funding source for the following item has been reclassified in the amount specified below:

- Item No. 9 – Palm Island Development Agreement in the amount of \$100,000 is partially reclassified from RPTTF to Other Funds. This item is an enforceable obligation for the ROPS 17-18 period. However, the obligation does not require payment from property tax revenues and the Agency has \$22,750 in available Other Funds. Therefore, Finance is approving RPTTF in the amount of \$77,250 and the use of Other Funds in the amount of \$22,750, totaling \$100,000 for the ROPS 17-18 period.

Except for the item adjusted, Finance is not objecting to the remaining items listed on the ROPS 17-18. If the Agency disagrees with Finance's determination with respect to any items on the ROPS 17-18, except items which are the subject of litigation disputing Finance's 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 Finance's website:

<http://dof.ca.gov/Programs/Redevelopment/Meet And Confer/>

The Agency's maximum approved RPTTF distribution for the reporting period is \$577,250 as summarized in the Approved RPTTF Distribution table on Page 4 (see Attachment).

RPTTF distributions occur biannually, one distribution for the July 1, 2017 through December 31, 2017 period (ROPS A period), and one distribution for the January 1, 2018 through June 30, 2018 period (ROPS B period) based on Finance approved amounts. Since Finance's determination is for the entire ROPS 17-18 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

On the ROPS 17-18 form, the Agency reported cash balances and activity for the period of January 1, 2016 through June 30, 2016. Finance reviews the Agency's self-reported cash balances on an ongoing basis. The Agency should be prepared to submit financial records and bridging documents to support the cash balances reported upon request.

The Agency was not required to report the estimated obligations versus actual payments (prior period adjustment) associated with the July 1, 2015 through June 30, 2016 period (ROPS 15-16). The Agency will report actual payments for ROPS 15-16 on ROPS 18-19, pursuant to HSC section 34186 (a) (1). A prior period adjustment may be applied to the Agency's ROPS 18-19 RPTTF distribution. Therefore, the Agency should retain any unexpended ROPS 15-16 RPTTF.

Absent a Meet and Confer, this is Finance's determination regarding the obligations listed on the ROPS 17-18. This determination only applies to items when funding was requested for the 12-month period.

The ROPS 17-18 form submitted by the Agency and Finance's determination letter will be posted on Finance's website:

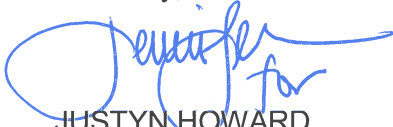
<http://dof.ca.gov/Programs/Redevelopment/ROPS/>

Finance's determination is effective for the ROPS 17-18 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 the 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 Thomas, Supervisor, or Alexander Watt, Lead Analyst, at (916) 322-2985.

Sincerely,



JUSTYN HOWARD
Program Budget Manager

cc: Ms. Jane Carlson, Consultant, Rosenow Spevacek Group, Inc.
Mr. Frank Davies, Property Tax Manager, Orange County

Attachment

Approved RPTTF Distribution For the period of July 2017 through June 2018			
	ROPS A Period	ROPS B Period	ROPS 17-18 Total
RPTTF Requested	\$ 100,000	\$ 250,000	\$ 350,000
Administrative RPTTF Requested	125,000	125,000	250,000
Total RPTTF Requested	225,000	375,000	600,000
 RPTTF Requested	 100,000	 250,000	 350,000
<u>Adjustment</u>			
Item No. 9	(22,750)	0	(22,750)
RPTTF Authorized	77,250	250,000	327,250
 Administrative RPTTF Authorized	 125,000	 125,000	 250,000
Total RPTTF Approved for Distribution	\$ 202,250	\$ 375,000	\$ 577,250



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April 6, 2018

Mr. Jason Al-Imam, Finance Director
City of Fountain Valley
10200 Slater Avenue
Fountain Valley, CA 92708

Dear Mr. Al-Imam:

Subject: 2018-19 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Fountain Valley Successor Agency (Agency) submitted an annual Recognized Obligation Payment Schedule for the period of July 1, 2018 through June 30, 2019 (ROPS 18-19) to the California Department of Finance (Finance) on January 26, 2018. Finance has completed its review of the ROPS 18-19.

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

- The total administrative costs are within the fiscal year administrative cap pursuant to HSC section 34171 (b) (3). However, the Oversight Board (OB) has approved an amount that appears excessive, given the number and nature of the other 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 required to successfully wind-down the Agency.
- On the ROPS 18-19 form, the Agency reported cash balances and activity for the period July 1, 2015 through June 30, 2016 (ROPS 15-16). According to our review, the Agency has approximately \$257,978 unexpended from Redevelopment Property Tax Trust Fund (RPTTF) from the ROPS 15-16 period available to fund enforceable obligations on the ROPS 18-19. These unexpended RPTTF funds are now considered Reserve Balances.

HSC section 34177 (l) (1) (E) requires these balances to be used prior to requesting RPTTF. Therefore, with the Agency's concurrence, the funding source for the following items has been reclassified from RPTTF to Reserve Balances in the amounts specified below:

Item No.	Project Name/Debt Obligation	Total Funding Authorized	RPTTF Approved	Reserve Balances Approved
6	Owner Participation Agreement - Fry's	\$250,000	\$ 0	\$250,000
9	Palm Island Development Agreement	100,000	92,022	7,978
			Total	\$257,978

Attachment

Approved RPTTF Distribution For the period of July 2018 through June 2019			
	ROPS A Period	ROPS B Period	ROPS 18-19 Total
RPTTF Requested	\$ 100,000	\$ 250,000	\$ 350,000
Administrative RPTTF Requested	80,000	80,000	160,000
Total RPTTF Requested	180,000	330,000	510,000
 RPTTF Requested	 100,000	 250,000	 350,000
<u>Adjustments</u>			
Item No. 6	0	(250,000)	(250,000)
Item No. 9	(7,978)	0	(7,978)
	(7,978)	(250,000)	(257,978)
RPTTF Authorized	92,022	0	92,022
 Administrative RPTTF Authorized	 80,000	 80,000	 160,000
Total RPTTF Approved for Distribution	\$ 172,022	\$ 80,000	\$ 252,022

150,000 *150,000*



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March 22, 2019

Mr. Jason Al-Imam, Finance Director
City of Fountain Valley
10200 Slater Avenue
Fountain Valley, CA 92708

Dear Mr. Al-Imam:

Subject: 2019-20 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Fountain Valley 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 28, 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 is approving all of the items listed on the ROPS 19-20 at this time. However, Finance notes the following:

The administrative costs claimed are within the fiscal year administrative cap pursuant to HSC section 34171 (b) (3). However, 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 Redevelopment Property Tax Trust Fund (RPTTF) are used to offset current RPTTF distributions. The amount of RPTTF approved in the table on Page 3 includes the prior period adjustment resulting from the County Auditor-Controller's review of the prior period adjustment form submitted by the Agency.

The Agency's maximum approved RPTTF distribution for the reporting period is \$142,907 as summarized in the Approved RPTTF Distribution table on Page 3 (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.

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	\$ 100,000	\$ 250,000	\$ 350,000
Administrative RPTTF Requested	46,011	0	46,011
Total RPTTF Requested	146,011	250,000	396,011
RPTTF Authorized	100,000	250,000	350,000
Administrative RPTTF Authorized	46,011	0	46,011
Total RPTTF Authorized for Obligations	146,011	250,000	396,011
Prior Period Adjustment	(146,011)	(107,093)	(253,104)
Total RPTTF Approved for Distribution	\$ 0	\$ 142,907	\$ 142,907

Jun '19

Jan '20