

Orange Countywide Oversight Board

Date: 1/21/2020

Agenda Item No. 5A

From: Successor Agency to the County of Orange Redevelopment Agency

Subject: Resolution of the Countywide Oversight Board Approving Annual Recognized Obligation Payment Schedule (ROPS) and Administrative Budget

Recommended Action:

Approve resolution approving FY 2020-21 ROPS and Administrative Budget for the County of Orange Successor Agency

The County of Orange Successor Agency requests approval of the Recognized Obligation Payment Schedule (ROPS) and Administrative Budget for Fiscal Year 2020-21.

The attached Annual Recognized Obligation Payment Schedule (ROPS) is being presented to the Countywide Oversight Board for their approval in regard to those financial obligations, which remain through June 30, 2021, of the former Orange County Development Agency, pending final approval by the State Department of Finance and State Controller's Office. The financial obligations listed on the ROPS are consistent with the January 22, 2019 Oversight Board approved ROPS.

The Administrative Budget functions of the County's Successor Agency consists of 11 staff located within two (2) departments. Administrative support for daily operations is provided by OC Community Resources (OCCR) and includes a Program Manager who oversees Successor Agency operations, an Accounting Manager I who reviews/approves calculations for the ROPS and Prior Period Adjustment, a Senior Accountant who is responsible for preparing financial statements, ROPS and PPA documentation as well as coordinates with external auditors, and an Accountant II and Accounting Technician who provide additional support as needed.

The County's Successor Agency also utilizes staff from the CEO's Public Finance division for items pertaining to its debt service. Positions within this group include a Public Finance Manager I and II who are responsible for monitoring compliance with the bond covenants, invoice review and the continuing disclosures and an Accounting Manager I and II and an Accountant who are responsible for monthly trustee activity, preparation of the ROPS, PPA and cash report, debt service payments, and other debt-related items.

During FY 2020-21 staff anticipate several events that could significantly impact the County's Successor Agency's administrative costs. Recently, the County approve new agreements with the respective employee unions. The new agreements include increases to staff pay; however, a formal impact analysis is still pending. Additionally, OCCR's Administrative Services group, which housing the Successor Agency, is expected to undergo a reorganization, which could include changes in staffing levels. The financial impact of the reorganization is still pending. Finally, during the upcoming fiscal year, Successor Agency staff will begin analyzing the processes and timing involved in closing out the NDAPP Bonds. Based on these factors and anticipated costs, the County's Successor Agency is requesting the minimum administrative cost allowed under State Law of \$250,000 in administrative costs for FY 2020-21.

On January 14, 2020, the County Board of Supervisors (Board) reviewed and approved the Annual Recognized Obligation Payment Schedule (ROPS) and its associated Administrative Budget. A copy of the relevant Board Resolution/minutes will be provided to the Countywide Oversight Board upon receipt from the County Clerk's office.

Impact on Taxing Entities

None

Staff Contact(s)

Jeffrey Kirkpatrick, OC Community Resources
714-480-2849
Jeff.Kirkpatrick@occr.ocgov.com

Attachments

- Annual ROPS 2020-21
- Administrative Budget for FY 2020-21
- Resolution of the Countywide Oversight Board
- Resolution of the Orange County Board of Supervisors (Placeholder)
- Annual ROPS 2019-20
- Annual ROPS 2018-19
- DOF Approval Letter re: Annual ROPS 2019-20
- DOF Approval Letter re: Annual ROPS 2018-19

Recognized Obligation Payment Schedule (ROPS 20-21) - Summary
Filed for the July 1, 2020 through June 30, 2021 Period

Successor Agency: Orange County
County: Orange

Current Period Requested Funding for Enforceable Obligations (ROPS Detail)	20-21A Total (July - December)	20-21B Total (January - June)	ROPS 20-21 Total
A Enforceable Obligations Funded as Follows (B+C+D)	\$ -	\$ -	\$ -
B Bond Proceeds	-	-	-
C Reserve Balance	-	-	-
D Other Funds	-	-	-
E Redevelopment Property Tax Trust Fund (RPTTF) (F+G)	\$7,615,079	\$4,869,614	\$12,484,693
F RPTTF	\$7,494,079	\$4,740,614	\$12,234,693
G Administrative RPTTF	\$121,000	\$129,000	\$250,000
H Current Period Enforceable Obligations (A+E)	\$ 7,615,079	\$ 4,869,614	\$ 12,541,693

Certification of Oversight Board Chairman:

Brian Probolsky

Chair

Name

Title

Pursuant to Section 34177 (o) of the Health and Safety code, I hereby certify that the above is a true and accurate Recognized Obligation Payment Schedule for the above named successor agency.

/s/ _____
 Signature

Date

Orange County
Recognized Obligation Payment Schedule (ROPS 20-21) - ROPS Detail July 1, 2020 through June 30, 2021

A Item #	B Project Name	C Obligation Type	D Agreement Execution Date	E Agreement Termination Date	F Payee	G Description	H Project Area	I Total Outstanding Obligation	J Retired	K ROPS 20-21 Total	L, M, N, O ROPS 20-21A (Jul - Dec)					Q 20-21A Total	R, S, T, U ROPS 20-21B (Jan - Jun)					W 20-21B Total				
											P Fund Sources						V Fund Sources									
											L Bond Proceeds	M Reserve Balance	N Other Funds	O RPTTF	P Admin RPTTF		R Bond Proceeds	S Reserve Balance	T Other Funds	U RPTTF	V Admin RPTTF					
								\$19,576,781		\$12,541,693					\$ 7,494,079	\$121,000	\$7,615,079					\$4,740,614	\$129,000	\$ 4,869,614		
2	Agency Administration	Admin Costs	01/01/2014	06/30/2014	County of Orange	Staff Salaries, Benefits, etc.	SAH/NDAPP	\$ 250,000	N	\$ 250,000					\$ 97,000		\$ 97,000						\$ 96,000	\$ 96,000		
3	Annexation Agreement	Miscellaneous	07/06/1999	12/31/2099	City of Lake Forest	Property Tax Allocation	NDAPP	\$ 7,185,154	N	\$ 7,185,154				\$ 7,185,154		\$ 7,185,154								\$ -	\$ -	
19	Treasury Investment Fees	Fees	03/01/2002	09/01/2023	County of Orange Treasurer/Tax Collector	Treasury Investment Charge	SAH/NDAPP	\$ 1,180	N	\$ 1,180				\$ 490		\$ 490							690		\$ 690	
21	Arbitrage Fees	Fees	08/01/2014	07/31/2024	BLX	Arbitrage Calculation and Reporting	SAH/NDAPP	\$ 1,380	N	\$ 1,380				\$ 1,380		\$ 1,380									\$ -	\$ -
22	Bank Trustee Service Fees	Fees	03/01/2002	09/01/2023	US Bank	Bank Trustee Service	SAH/NDAPP	\$ 6,670	N	\$ 6,670				\$ 2,990		\$ 2,990							3680		\$ 3,680	
23	Bond Counsel Fees	Fees	04/23/2013	04/22/2021	Stradling, Yocca, Carlson, Rauth	Bond Counsel	SAH/NDAPP	\$ 11,500	N	\$ 11,500				\$ 11,500		\$ 11,500									\$ -	\$ -
25	Bond Administration	Admin Costs	03/01/2002	09/01/2023	County of Orange	Staff Salaries and Benefits	SAH/NDAPP	\$ 57,000	N	\$ 57,000					\$ 24,000.00		\$ 24,000							\$ 33,000.00	33000	
41	2014 Tax Allocation Refunding Bonds	Bonds Issued After 12/31/10	01/09/2014	09/01/2023	U.S. Bank	Principal and Interest Debt service for 2014 Santa Ana Heights Tax Allocation Bonds.	SAH	\$ 8,136,750	N	\$ 2,714,250							\$ -							\$ 2,714,250	\$ 2,714,250	
42	2014 Tax Allocation Refunding Bonds	Bonds Issued After 12/31/10	09/20/2014	09/01/2022	U.S. Bank	Principal and Interest Debt service for 2014 NDAPP Tax Allocation Bonds	NDAPP	\$ 3,630,982	N	\$ 2,018,394							\$ -							\$ 2,018,394	\$ 2,018,394	
43	Continuing Disclosure Fees	Fees	12/01/2015	11/30/2020	Applied Best Practices	Bond Continuing Disclosure Service	SAH/NDAPP	\$ 3,600	N	\$ 3,600							\$ -							\$ 3,600	\$ 3,600	
44	Annexation Agreement True Up	Miscellaneous	07/01/1996	12/31/2099	City of Lake Forest	Property Tax True Up	NDAPP	\$ 292,565	N	\$ 292,565				\$ 292,565		\$ 292,565									0	0

Orange County
Recognized Obligation Payment Schedule (ROPS 20-21) - Notes July 1, 2020 through June 30, 2021

Item #	Notes/Comments
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Resolution No. 20-_____

A RESOLUTION OF THE ORANGE COUNTYWIDE OVERSIGHT BOARD
WITH OVERSIGHT OF THE SUCCESSOR AGENCY TO
THE ORANGE COUNTY DEVELOPMENT AGENCY
APPROVING THE RECOGNIZED OBLIGATION PAYMENT SCHEDULE
FOR THE PERIOD OF JULY 1, 2020 THROUGH JUNE 30, 2021

WHEREAS, pursuant to California Health and Safety Code section 34177 (o)(1), the County of Orange, as Successor Agency to the Orange County Development Agency (“Successor Agency”), must submit a ROPS to the Department of Finance (the “Department”) and the Orange County Auditor-Controller no later than February 1, 2020; and

WHEREAS, the Successor Agency has submitted the ROPS attached hereto as Exhibit A, for this Board’s review; and

WHEREAS, this Board has reviewed the ROPS as submitted by the Successor Agency for the period of July 1, 2020 through June 30, 2021;

NOW, THEREFORE, BE IT RESOLVED THAT THE ORANGE COUNTYWIDE OVERSIGHT BOARD DOES HEREBY:

1. Find that the attached Recognized Obligation Payment Schedule contains no deficiencies or errors and correctly reflects the lawful obligations of the Successor Agency to the Orange County Development Agency for its 2020-2021 fiscal year.
2. Approve the attached Recognized Obligation Payment Schedule for the period of July 1, 2020 through June 30, 2021, as submitted by the Successor Agency to the Orange County Development Agency.
3. Direct the Successor Agency to the Orange County Development Agency to submit the attached Recognized Obligation Payment Schedule to the Department of Finance before February 1, 2020.
4. Authorize the Successor Agency to the Orange County Development Agency to make minor ministerial changes to the attached Recognized Obligation Payment Schedule upon further direction from the Department of Finance.

Orange Countywide Oversight Board
Placeholder for Pending Resolution

Date: 1/21/2020

From: Successor Agency to the County of Orange Redevelopment Agency

Subject: Resolution of the County of Orange Board of Supervisors Approving the Recognized
Obligation Payment Schedule (7/1/20 – 6/30/21)

The resolution of the County of Orange Board of Supervisors approving the Recognized Obligation Payment Schedule (7/1/20 – 6/30/21) was voted upon at their 1/14/2020 meeting. As such, the resolution/meeting minutes are not yet available for submission but will be provided to the Countywide Oversight Board at the earliest possible opportunity.

Recognized Obligation Payment Schedule (ROPS 19-20) - Summary
Filed for the July 1, 2019 through June 30, 2020 Period

Successor Agency: Orange County
 County: Orange

Current Period Requested Funding for Enforceable Obligations (ROPS Detail)	19-20A Total (July - December)	19-20B Total (January - June)	ROPS 19-20 Total
A Enforceable Obligations Funded as Follows (B+C+D):	\$ -	\$ -	\$ -
B Bond Proceeds	-	-	-
C Reserve Balance	-	-	-
D Other Funds	-	-	-
E Redevelopment Property Tax Trust Fund (RPTTF) (F+G):	\$ 7,538,248	\$ 4,900,210	\$ 12,438,458
F RPTTF	7,398,948	4,742,510	12,141,458
G Administrative RPTTF	139,300	157,700	297,000
H Current Period Enforceable Obligations (A+E):	\$ 7,538,248	\$ 4,900,210	\$ 12,438,458

Certification of Oversight Board Chairman:
 Pursuant to Section 34177 (o) of the Health and Safety code, I hereby
 certify that the above is a true and accurate Recognized Obligation
 Payment Schedule for the above named successor agency.

Brian Probolsky Chair
 Name Title
 /s/ _____
 Signature Date

Orange County Recognized Obligation Payment Schedule (ROPS 19-20) - Report of Cash Balances
July 1, 2016 through June 30, 2017
(Report Amounts in Whole Dollars)

Pursuant to Health and Safety Code section 34177 (l), Redevelopment Property Tax Trust Fund (RPTTF) may be listed as a source of payment on the ROPS, but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation. For tips on how to complete the Report of Cash Balances Form, see [Cash Balance Tips Sheet](#).

A	B	C	D	E	F	G	H	
		Fund Sources						
		Bond Proceeds		Reserve Balance	Other Funds	RPTTF		
	ROPS 16-17 Cash Balances (07/01/16 - 06/30/17)	Bonds issued on or before 12/31/10	Bonds issued on or after 01/01/11	Prior ROPS RPTTF and Reserve Balances retained for future period(s)	Rent, Grants, Interest, etc.	Non-Admin and Admin	Comments	
1	Beginning Available Cash Balance (Actual 07/01/16) RPTTF amount should exclude "A" period distribution amount			775	1,053,040	7,064,826		
2	Revenue/Income (Actual 06/30/17) RPTTF amount should tie to the ROPS 16-17 total distribution from the County Auditor-Controller				703,477	5,137,357		
3	Expenditures for ROPS 16-17 Enforceable Obligations (Actual 06/30/17)					4,823,464	16-17 ROPS Expenditures including accruals of \$6401.98 that were authorized, funded and incurred in 16-17 ROPS but will be paid outside the ROPS period. \$22,944 Lake Forest RPTTF transfer excluded since this is for 17/18A ROPS Distribution per Dept. of Finance.	
4	Retention of Available Cash Balance (Actual 06/30/17) RPTTF amount retained should only include the amounts distributed as reserve for future period(s)					188,209	17-18A ROPS distribution amount.	
5	ROPS 16-17 RPTTF Prior Period Adjustment RPTTF amount should tie to the Agency's ROPS 16-17 PPA form submitted to the CAC	No entry required					336,086	Excess distribution over expenditures; Matches PPA Total Difference.
6	Ending Actual Available Cash Balance (06/30/17) C to F = (1 + 2 - 3 - 4), G = (1 + 2 - 3 - 4 - 5)	\$ 0	\$ 0	\$ 775	\$ 1,756,517	\$ 6,854,424	Please note that this includes \$22,944 DOF approved sweep for 17-18 ROPS and \$7,908,238 DOF approved sweep for 18-19 ROPS.	

Recognized Obligation Payment Schedule (ROPS 18-19) - Summary

Filed for the July 1, 2018 through June 30, 2019 Period

Successor Agency: Orange County
 County: Orange

Current Period Requested Funding for Enforceable Obligations (ROPS Detail)	18-19A Total (July - December)	18-19B Total (January - June)	ROPS 18-19 Total
A Enforceable Obligations Funded as Follows (B+C+D):	\$ -	\$ -	\$ -
B Bond Proceeds	-	-	-
C Reserve Balance	-	-	-
D Other Funds	-	-	-
E Redevelopment Property Tax Trust Fund (RPTTF) (F+G):	\$ 5,328,481	\$ 4,945,122	\$ 10,273,603
F RPTTF	5,166,481	4,759,122	9,925,603
G Administrative RPTTF	162,000	186,000	348,000
H Current Period Enforceable Obligations (A+E):	\$ 5,328,481	\$ 4,945,122	\$ 10,273,603

Certification of Oversight Board Chairman:
 Pursuant to Section 34177 (o) of the Health and Safety code, I hereby
 certify that the above is a true and accurate Recognized Obligation
 Payment Schedule for the above named successor agency.

 Name Title
 /s/ _____
 Signature Date

Orange County Recognized Obligation Payment Schedule (ROPS 18-19) - Report of Cash Balances
July 1, 2015 through June 30, 2016
(Report Amounts in Whole Dollars)

Pursuant to Health and Safety Code section 34177 (l), Redevelopment Property Tax Trust Fund (RPTTF) may be listed as a source of payment on the ROPS, but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation. For tips on how to complete the Report of Cash Balances Form, see [Cash Balance Tips Sheet](#)

A	B	C	D	E	F	G	H	I	
		Fund Sources							
		Bond Proceeds		Reserve Balance		Other	RPTTF		
	Cash Balance Information for ROPS 15-16 Actuals (07/01/15 - 06/30/16)	Bonds issued on or before 12/31/10	Bonds issued on or after 01/01/11	Prior ROPS period balances and DDR RPTTF balances retained	Prior ROPS RPTTF distributed as reserve for future period(s)	Rent, grants, interest, etc.	Non-Admin and Admin	Comments	
1	Beginning Available Cash Balance (Actual 07/01/15)						15,687,794		
2	Revenue/Income (Actual 06/30/16) RPTTF amounts should tie to the ROPS 15-16 total distribution from the County Auditor-Controller during January 2016 and June 2016.						7,324,776		
3	Expenditures for ROPS 15-16 Enforceable Obligations (Actual 06/30/16)						9,062,507		
4	Retention of Available Cash Balance (Actual 06/30/16) RPTTF amount retained should only include the amounts distributed as reserve for future period(s)								
5	ROPS 15-16 RPTTF Balances Remaining	No entry required							
6	Ending Actual Available Cash Balance (06/30/16) C to G = (1 + 2 - 3 - 4), H = (1 + 2 - 3 - 4 - 5)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,950,063		



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/>

Mr. Jeffrey Kirkpatrick

March 29, 2019

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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



April 13, 2018

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

Dear Mr. Kirkpatrick:

Subject: 2018-19 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, 2018 through June 30, 2019 (ROPS 18-19) to the California Department of Finance (Finance) on January 31, 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 Agency's claimed administrative costs exceed the allowance by \$53,988. 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. Although \$348,000 is claimed for ACA, Item No. 24, in the amount of \$17,250, is considered an administrative cost and should be counted toward the cap. As a result, the Agency's maximum ACA is \$311,262 for fiscal year 2018-19. Therefore, as noted in the table below, \$53,988 in excess ACA is not allowed:

Administrative Cost Allowance Calculation	
Actual RPTTF distributed for fiscal year 2017-18	\$ 10,660,586
Less distributed Administrative RPTTF	(285,174)
Less sponsoring entity loan repayments	0
RPTTF distributed for 2017-18 after adjustments	<u>10,375,412</u>
ACA Cap for 2018-19 per HSC section 34171 (b)	311,262
ACA requested for 2018-19	348,000
Plus amount reclassified to ACA	17,250
Total ACA	<u>365,250</u>
ACA in Excess of the Cap	\$ (53,988)

- 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 \$6,855,198 in Reserve Balances and \$1,053,040 in Other Funds, for a total of \$7,908,238 available to fund enforceable obligations on the ROPS 18-19.

HSC 34177 (l) (1) (E) requires these balances to be used prior to requesting Redevelopment Property Tax Trust Fund (RPTTF). Therefore, the funding source for the following items has been reclassified in the amounts specified below:

Item No.	Project Name/ Debt Obligation	Requested	Adjusted	Approved		
		RPTTF	RPTTF	Reserve Balances	Other Funds	Total Funding
3	Annexation Agreement	\$5,006,731	\$5,006,731	\$5,006,731	\$ 0	\$5,006,731
19	Bond Debt Service Project Cost-Orange County Treasurer/Tax Collector	3,450	1,725	1,725	0	3,450
21	Bond Debt Service Project Cost-BLX (arbitrage calculation and reporting)	2,530	2,530	2,530	0	2,530
22	Bond Debt Service Project Cost-US Bank (trustee fees)	6,440	2,875	2,875	0	6,440
23	Bond Debt Service Project Cost-Stradling, Yocca, Carlson, Rauth	17,250	8,625	8,625	0	17,250
41	2014 Tax Allocation Bonds-Santa Ana Heights Project Area	2,711,750	1,697,342	1,697,342	0	2,711,750
42	2014 Tax Allocation Bonds-Neighborhood Development and Preservation Project	2,021,382	1,053,040	0	1,053,040	2,021,382
44	Annexation Agreement True-up Cost	135,370	135,370	135,370	0	135,370
Total			\$7,908,238	\$6,855,198	\$1,053,040	\$9,904,903

Except for the items adjusted, Finance is not objecting to the remaining items listed on the ROPS 18-19. If the Agency disagrees with our determination with respect to any items on the ROPS 18-19, 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%20And%20Confer/)

The Agency's maximum approved RPTTF distribution for the reporting period is \$2,311,377 as summarized in the Approved RPTTF Distribution table on Page 4 (see Attachment).

RPTTF distributions occur biannually, one distribution for the July 1, 2018 through December 31, 2018 period (ROPS A period) and one distribution for the January 1, 2019 through June 30, 2019 period (ROPS B period) based on Finance's approved amounts. Since this determination is for the entire ROPS 18-19 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

Pursuant to HSC section 34186 (c), beginning October 1, 2018, the Agency will be required to report the estimated obligations versus actual payments (prior period adjustment) associated with the July 1, 2016 through June 30, 2017 period (ROPS 16-17) to the County Auditor-Controller for review. The Agency will report actual payments for ROPS 16-17 on ROPS 19-20. A prior period adjustment may be applied to the Agency's ROPS 19-20 RPTTF distribution. Therefore, the Agency should retain any unexpended RPTTF from the ROPS 16-17 period.

Mr. Jeffrey Kirkpatrick
April 13, 2018
Page 3

Absent a Meet and Confer, this is our final determination regarding the obligations listed on the ROPS 18-19. 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 deemed denied until the matter is resolved.

The ROPS 18-19 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 18-19 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,



ERIKALI
Program Budget Manager

cc: Ms. Win Swe, Accounting Manager, Orange County
Ms. Cindy Wong, Manager, Property Tax Manager, Orange County

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	\$ 5,166,481	\$ 4,759,122	\$ 9,925,603
Administrative RPTTF Requested	162,000	186,000	348,000
Total RPTTF Requested	5,328,481	4,945,122	10,273,603
RPTTF Requested	5,166,481	4,759,122	9,925,603
<u>Adjustments</u>			
Item No. 3	(5,006,731)	0	(5,006,731)
Item No. 19	(1,725)	0	(1,725)
Item No. 21	(2,530)	0	(2,530)
Item No. 22	(2,875)	0	(2,875)
Item No. 23	(8,625)	0	(8,625)
Item No. 24	(8,625)	(8,625)	(17,250)
Item No. 41	0	(1,697,342)	(1,697,342)
Item No. 42	0	(1,053,040)	(1,053,040)
Item No. 44	(135,370)	0	(135,370)
	(5,166,481)	(2,759,007)	(7,925,488)
RPTTF Authorized	0	2,000,115	2,000,115
Administrative RPTTF Requested	162,000	186,000	348,000
<u>Adjustments</u>			
Item No. 24	8,625	8,625	17,250
Adjusted Administrative RPTTF	170,625	194,625	365,250
Excess Administrative Costs	0	(53,988)	(53,988)
Administrative RPTTF Authorized	170,625	140,637	311,262
Total RPTTF Approved for Distribution	\$ 170,625	\$ 2,140,752	\$ 2,311,377



May 17, 2018

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

Dear Mr. Kirkpatrick:

Subject: 2018-19 Annual Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 13, 2018. Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the Orange County Successor Agency (Agency) submitted an annual ROPS for the period of July 1, 2018 through June 30, 2019 (ROPS 18-19) to Finance on January 31, 2018. The Agency requested a Meet and Confer on one or more of the determinations made by Finance. The Meet and Confer was held on April 25, 2018.

Based on a review of additional information and documentation provided to Finance during the Meet and Confer, Finance has completed its review of the specific determination being disputed.

Item No. 24 – General Counsel Debt Service in the amount of \$17,250. Based on additional information and documentation provided, Finance no longer reclassifies this item as administrative costs. The Agency provided a copy of the Agreement with Orrick, Herrington, & Sutcliffe, LLP, entered into on April 23, 2018. According to the Agency, although the scope of services is similar to services provided under Item No. 23, the Agency is utilizing two bond counsels. Therefore, the requested amount of \$17,250 of Redevelopment Property Tax Trust Fund (RPTTF) funding is approved.

In addition, per Finance's letter dated April 13, 2018, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

- The Agency's claimed administrative costs exceed the allowance by \$36,738. 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. Although \$348,000 is claimed for ACA, the Agency's maximum ACA is \$311,262 for fiscal year 2018-19. Therefore, as noted in the table below, \$36,738 in excess ACA is not allowed:

Administrative Cost Allowance Calculation	
Actual RPTTF distributed for fiscal year 2017-18	\$ 10,660,586
Less distributed Administrative RPTTF	(285,174)
RPTTF distributed for 2017-18 after adjustments	<u>10,375,412</u>
ACA Cap for 2018-19 per HSC section 34171 (b)	311,262
ACA requested for 2018-19	348,000
ACA in Excess of the Cap	\$ (36,738)

- 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 \$6,855,198 in Reserve Balances and \$1,053,040 in Other Funds, for a total of \$7,908,238 available to fund enforceable obligations on the ROPS 18-19.

HSC 34177 (l) (1) (E) requires these balances to be used prior to requesting RPTTF. Therefore, the funding source for the following items has been reclassified in the amounts specified below:

Item No.	Project Name/ Debt Obligation	Requested	Adjusted	Approved		Total Funding
		RPTTF	RPTTF	Reserve Balances	Other Funds	
3	Annexation Agreement	\$5,006,731	\$5,006,731	\$5,006,731	\$ 0	\$5,006,731
19	Bond Debt Service Project Cost-Orange County Treasurer/Tax Collector	3,450	1,725	1,725	0	3,450
21	Bond Debt Service Project Cost-BLX (arbitrage calculation and reporting)	2,530	2,530	2,530	0	2,530
22	Bond Debt Service Project Cost-US Bank (trustee fees)	6,440	2,875	2,875	0	6,440
23	Bond Debt Service Project Cost-Stradling, Yocca, Carlson, Rauth	17,250	8,625	8,625	0	17,250
41	2014 Tax Allocation Bonds-Santa Ana Heights Project Area	2,711,750	1,697,342	1,697,342	0	2,711,750
42	2014 Tax Allocation Bonds-Neighborhood Development and Preservation Project	2,021,382	1,053,040	0	1,053,040	2,021,382
44	Annexation Agreement True-up Cost	135,370	135,370	135,370	0	135,370
Total			\$7,908,238	\$6,855,198	\$1,053,040	\$9,904,903

The Agency's maximum approved RPTTF distribution for the reporting period is \$2,328,627 as summarized in the Approved RPTTF Distribution table on Page 4 (see Attachment).

RPTTF distributions occur biannually, one distribution for the July 1, 2018 through December 31, 2018 period (ROPS A period) and one distribution for the January 1, 2019 through June 30, 2019 period (ROPS B period) based on Finance's approved amounts. Since this determination is for the entire ROPS 18-19 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

Pursuant to HSC section 34186 (c), beginning October 1, 2018, the Agency will be required to report the estimated obligations versus actual payments (prior period adjustment) associated with the July 1, 2016 through June 30, 2017 period (ROPS 16-17) to the County Auditor-Controller for review. The Agency will report actual payments for ROPS 16-17 on ROPS 19-20. A prior period adjustment may be applied to the Agency's ROPS 19-20 RPTTF distribution. Therefore, the Agency should retain any unexpended RPTTF from the ROPS 16-17 period.

This is our final determination regarding the obligations listed on the ROPS 18-19. 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 deemed denied until the matter is resolved.

The ROPS 18-19 form submitted by the Agency and this determination letter will be posted on our website:

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This determination is effective for the ROPS 18-19 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 Cindie Lor, Supervisor, or Jeremy Bunting, Lead Analyst, at (916) 322-2985.

Sincerely,



ERIKA LI
Program Budget Manager

cc: Ms. Win Swe, Accounting Manager, Orange County
Ms. Cindy Wong, Property Tax Manager, Orange County

Attachment

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Item No. 41	0	(1,697,342)	(1,697,342)
Item No. 42	0	(1,053,040)	(1,053,040)
Item No. 44	(135,370)	0	(135,370)
	(5,157,856)	(2,750,382)	(7,908,238)
RPTTF Authorized	8,625	2,008,740	2,017,365
Administrative RPTTF Requested	162,000	186,000	348,000
Excess Administrative Costs	0	(36,738)	(36,738)
Administrative RPTTF Authorized	162,000	149,262	311,262
Total RPTTF Approved for Distribution	\$ 170,625	\$ 2,158,002	\$ 2,328,627