

Orange Countywide Oversight Board

Agenda Item No. 15b

Date: 9/22/2020

From: Successor Agency to the Fountain Valley Redevelopment Agency

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

Recommended Action:

Hold a straw vote regarding FY 2021-22 Administrative Budget for the Fountain Valley Successor Agency

The Fountain Valley Successor Agency requests a straw vote of the Administrative Budget for Fiscal Year 2021-22. The Successor Agency shall return in January with a request for final approval of the Administrative Budget with the Recognized Obligation Payment Schedule (ROPS).

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 allowance cannot exceed 50% of RPTTF distributed in the preceding fiscal year to pay enforceable obligations. 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).

Due to an offset from a prior period adjustment for the ROPS 17-18 period, The Fountain Valley Successor Agency received \$0 for the ROPS 20-21 Approved RPTTF Distribution. As a result, the Fountain Valley Successor Agency is not eligible to receive an administrative cost allowance for FY 2021-22 based on the formula described above. Despite this ineligibility, the Fountain Valley Successor Agency will still incur \$14,536 in administrative expenses as outlined in the draft Administrative Budget (Attachment 1) for FY 2021-22 including 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.

The Fountain Valley Successor Agency requests that the Orange Countywide Oversight Board recognize the \$14,536 in administrative costs to be incurred by the Fountain Valley Successor Agency, despite the ineligibility to receive an administrative allowance per Section 34171(b)(4) and (5), and take a straw vote of the draft Administrative Budget of \$0 for Fiscal Year 2021-22. The Successor Agency intends to submit to the Oversight Board the final Administrative Budget as a part of ROPS 2021-22 A-B for FY 2021-22 for consideration in January 2021.

Staff Contact(s)

Jennifer Lampman, Finance Director is the primary staff contact on this item and can be contacted via email at jennifer.lampman@fountainvalley.org.

Attachments

- Attachment 1- Draft Administrative Budget for FY 2021-22
- Attachment 2- FY 2020-21 Administrative Budget (including estimated actual amounts)
- Attachment 3- FY 2019-20 Administrative Budget (including estimated actual amounts)
- Attachment 4- DOF Determination Letter ROPS 2020-21 A-B
- Attachment 5- DOF Determination Letter ROPS 2019-20 A-B

**SUCCESSOR AGENCY TO THE FOUNTAIN VALLEY AGENCY FOR COMMUNITY DEVELOPMENT
DRAFT ADMINISTRATIVE BUDGET FOR FISCAL YEAR 2021-22**

DIRECT PERSONNEL COSTS						
Employee Classification	Department	Annual Cost of Salaries & Benefits	Hourly Rate	Successor Agency Hours	Administrative Allocation	
					% Percentage	\$ Amount
Finance Director	Finance	\$192,524	\$92.56	19	0.91%	\$1,759
Accounting Manager	Finance	154,796	74.42	34	1.63%	2,530
Budget Analyst	Finance	141,271	67.92	11	0.53%	747
TOTAL DIRECT PERSONNEL COSTS						5,036
<i>Primary Responsibilities:</i>						
<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						3,500
<i>Primary Responsibilities:</i>						
<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
<i>Primary Responsibilities:</i>						
<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						3,000
<i>Primary Responsibilities:</i>						
<ul style="list-style-type: none"> • Review staff reports and resolutions • Provide legal services as needed 						
TOTAL OTHER DIRECT COSTS						9,500
TOTAL DRAFT ADMINISTRATIVE BUDGET						\$14,536
TOTAL ALLOWABLE ADMINISTRATIVE ALLOWANCE PER SECTION 34171(b)(4) and (5)						\$0

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

DIRECT PERSONNEL COSTS						
Employee Classification	Department	Annual	Hourly	Successor Agency Hours	Administrative Allocation	
		Cost of Salaries & Benefits			Rate	% Percentage
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
<i>Primary Responsibilities:</i>						
<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
<i>Primary Responsibilities:</i>						
<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
<i>Primary Responsibilities:</i>						
<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
<i>Primary Responsibilities:</i>						
<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

EXHIBIT B

**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 Proposed Budget
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 	\$28,011
TOTAL		\$28,011
Maintenance and Operations		
Contract services	<ul style="list-style-type: none"> • Prepare ROPS, PPA, staff reports, and resolutions • 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
Accounting Fees	<ul style="list-style-type: none"> • Prepare the Successor Agency portion of the audited financial statements/CAFR 	\$5,000
Insurance and legal services	<ul style="list-style-type: none"> • Review staff reports and resolutions • Provide legal services as needed 	\$5,000
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
TOTAL BUDGET		\$46,011



Transmitted via e-mail

March 9, 2020

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

2020-21 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, 2020 through June 30, 2021 (ROPS 20-21) to the California Department of Finance (Finance) on January 24, 2020. Finance has completed its review of the ROPS 20-21.

Based on a sample of line items reviewed and application of the law, Finance is approving all of the items listed on the ROPS 20-21 at this time.

Pursuant to HSC section 34186, successor agencies are required to report differences between actual payments and past estimated obligations (prior period adjustments) for the July 1, 2017 through June 30, 2018 (ROPS 17-18) period. Reported differences in Redevelopment Property Tax Trust Fund (RPTTF) are used to offset current RPTTF distributions. The amount of RPTTF approved in the table includes the prior period adjustment (PPA) resulting from the County Auditor-Controller's review of the PPA form submitted by the Agency. Total authorized RPTTF is insufficient to allow the entire PPA to be applied this ROPS period, resulting in an excess PPA that should be applied prior to requesting RPTTF on future ROPS.

The Agency's maximum approved RPTTF distribution for the reporting period is \$0 as summarized in the Approved RPTTF Distribution table (see Attachment).

RPTTF distributions occur biannually, one distribution for the July 1, 2020 through December 31, 2020 period (ROPS A period), and one distribution for the January 1, 2021 through June 30, 2021 period (ROPS B period) based on Finance's approved amounts. Since this determination is for the entire ROPS 20-21 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 20-21. 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 20-21 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 20-21 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 Mindy Patterson, Supervisor, or Dylan Newton, Staff, at (916) 322-2985.

Sincerely,



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JENNIFER WHITAKER
Program Budget Manager

cc: Alex Lawrence, RSG Consultant, City of Fountain Valley
Israel M. Guevara, Administrative Manager, Property Tax Section, Orange County

Attachment

Approved RPTTF Distribution July 2020 through June 2021			
	ROPS A	ROPS B	ROPS 20-21 Total
RPTTF Requested	\$ 100,000	\$ 150,000	\$ 250,000
Administrative RPTTF Requested	14,283	0	14,283
Total RPTTF Requested	114,283	150,000	264,283
RPTTF Authorized	100,000	150,000	250,000
Administrative RPTTF Authorized	14,283	0	14,283
ROPS 17-18 prior period adjustment (PPA)	(114,283)	(168,184)	(282,467)
Excess PPA	0	18,184	18,184
Total RPTTF Approved for Distribution	\$ 0	\$ 0	\$ 0



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