



Transmitted via e-mail

April 7, 2020

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

2020-21 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Fullerton Successor Agency (Agency) submitted an annual Recognized Obligation Payment Schedule for the period of July 1, 2020 through June 30, 2021 (ROPS 20-21) to the California Department of Finance (Finance) on January 30, 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 made the following determinations:

- Item Nos. 23 and 28 – Affordable Housing Project Monitoring and Affordable Housing Administration and Reporting in the outstanding obligation amounts totaling \$10,094,000 (\$9,834,000 + \$260,000) are not allowed. Finance continues to deny these items. HSC section 34176 requires “all rights, powers, duties, obligations, and housing assets...be transferred” to the new housing entity. Since the City of Fullerton's Housing Division assumed the housing functions, this transfer of “duties and obligations” necessarily includes the transfer of administrative obligations. Therefore, the total requested amount of \$380,000 is ineligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.
- On the ROPS 20-21 form, the Agency reported cash balances and activity for the period July 1, 2017 through June 30, 2018 (ROPS 17-18). According to our review, the Agency has approximately \$160,120 from Other Funds available to fund enforceable obligations on the ROPS 20-21. HSC section 34177 (l) (1) (E) requires these balances to be used prior to requesting RPTTF funds. Therefore, with the Agency's concurrence, the funding source for the following item has been reclassified in the amount specified below:
 - Item No. 4 – 2005 Tax Allocation Bonds in the amount of \$7,064,648 is partially reclassified. Finance is approving RPTTF in the amount of \$6,904,528 and the use of Other Funds in the amount of \$160,120, totaling \$7,064,648.

- The claimed administrative costs exceed the allowance by \$11,574. 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 \$345,104 for fiscal year 2020-21.
 - Although \$344,678 is claimed for ACA, Item No. 24 in the amount of \$12,000 is considered an administrative cost and should be counted toward the cap. Therefore, as noted in the table below, \$11,574 in excess ACA is not allowed:

Administrative Cost Allowance (ACA) Calculation	
Actual RPTTF distributed for fiscal year 2019-20	\$11,761,122
Less distributed Administrative RPTTF	(257,671)
RPTTF distributed for 2019-20 after adjustments	\$11,503,451
ACA Cap for 2020-21 per HSC section 34171 (b)	\$345,104
ACA requested for 2020-21	344,678
Plus amount reclassified to ACA	12,000
Total ACA requested after adjustment	\$356,678
ACA in Excess of the Cap	\$(11,574)

Pursuant to HSC section 34186, successor agencies are required to report differences between actual payments and past estimated obligations (prior period adjustments) for the ROPS 17-18 period. Reported differences in RPTTF are used to offset current RPTTF distributions. The amount of RPTTF authorized 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.

The Agency's maximum approved RPTTF distribution for the reporting period is \$11,542,172, 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.

Except for the items adjusted, Finance is not objecting to the remaining items listed on the ROPS 20-21. If the Agency disagrees with our determination with respect to any items on the ROPS 20-21, except items which are the subject of litigation disputing our previous or related determinations, the Agency may request a Meet and Confer within five business days of the date of this letter. The Meet and Confer process and guidelines are available on our website:

http://dof.ca.gov/Programs/Redevelopment/Meet_And_Confer/

The Agency must use the RAD App to complete and submit its Meet and Confer request form.

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 Mark-Anthony Lacy, Staff, at (916) 322-2985.

Sincerely,

Original signed by Cheryl L. McCormick for:

JENNIFER WHITAKER
Program Budget Manager

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

Approved RPTTF Distribution July 2020 through June 2021			
	ROPS A	ROPS B	ROPS 20-21 Total
RPTTF Requested	\$ 9,931,659	\$ 1,855,367	\$ 11,787,026
Administrative RPTTF Requested	172,339	172,339	344,678
Total RPTTF Requested	10,103,998	2,027,706	12,131,704
RPTTF Requested	9,931,659	1,855,367	11,787,026
<u>Adjustments</u>			
Item No. 4	(160,120)	0	(160,120)
Item No. 23	(60,000)	(60,000)	(120,000)
Item No. 24	(6,000)	(6,000)	(12,000)
Item No. 28	(130,000)	(130,000)	(260,000)
	(356,120)	(196,000)	(552,120)
RPTTF Authorized	9,575,539	1,659,367	11,234,906
Administrative RPTTF Requested	172,339	172,339	344,678
<u>Adjustment</u>			
Item No. 24	6,000	6,000	12,000
Adjusted Administrative RPTTF	178,339	178,339	356,678
Excess Administrative Costs	0	(11,574)	(11,574)
Administrative RPTTF Authorized	178,339	166,765	345,104
ROPS 17-18 prior period adjustment (PPA)	(37,838)	0	(37,838)
Total RPTTF Approved for Distribution	\$ 9,716,040	\$ 1,826,132	\$ 11,542,172