



Transmitted via e-mail

April 13, 2021

Aaron Felmlee, Finance Director
City of Fortuna
P.O. Box 545
Fortuna, CA 95540

2021-22 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Fortuna Successor Agency (Agency) submitted an annual Recognized Obligation Payment Schedule for the period July 1, 2021 through June 30, 2022 (ROPS 21-22) to the California Department of Finance (Finance) on January 27, 2021. Finance has completed its review of the ROPS 21-22.

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

- Item No. 3 -Administrative Costs in the amount of \$200,000. The Agency inadvertently requested \$200,000 in Redevelopment Property Tax Trust Fund (RPTTF) funding to pay administrative costs. With the Agency's concurrence, this item was reclassified to Administrative RPTTF.
- Item No. 6 – City loan repayment in the amount of \$300,000 is partially allowed. HSC section 34191.4 (b) (3) (A) allows repayment to be equal to one-half of the increase between the ROPS residual pass-through distributed to the taxing entities in the preceding fiscal year and the ROPS residual pass-through distributed to the taxing entities in the fiscal year 2012-13 base year.

According to the Humboldt County Auditor-Controller's report, the ROPS residual pass-through amount distributed to the taxing entities for fiscal year 2012-13 and 2020-2021 are \$173,080 and \$384,770, respectively. Pursuant to the repayment formula, the maximum repayment amount authorized for the ROPS 21-22 period is \$105,845. Therefore of the \$300,000 requested, \$194,155 (\$300,000 – \$105,845) is not eligible for RPTTF funding. The Agency may be eligible for additional funding on subsequent ROPS.

- 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.

The County Auditor-Controller did not provide its review of the Agency's prior period adjustments (PPA) for the July 1, 2018 through June 30, 2019 (ROPS 18-19) period as required by HSC section 34186. On the ROPS 21-22 form, the Agency reported cash balances and activities for the ROPS 18-19 period. Therefore, we reviewed ROPS 18-19 expenditures. According to our review, the Agency has a \$677 PPA due to a difference in self reported debt service payments versus amounts supported by the Agency's accounting records.

The Agency's maximum approved RPTTF distribution for the reporting period is \$850,606, as summarized in the Approved RPTTF Distribution table (see Attachment).

RPTTF distributions occur biannually, one distribution for the July 1, 2021 through December 31, 2021 period (ROPS A period), and one distribution for the January 1, 2022 through June 30, 2022 period (ROPS B period), based on Finance's approved amounts. Since this determination is for the entire ROPS 21-22 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 adjusted items, Finance does not object to the remaining items listed on the ROPS 21-22. If the Agency disagrees with our determination with respect to any items on the ROPS 21-22, 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 from 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 21-22. This determination only applies to items when funding was requested for the 12-month period. If a determination by Finance in a previous ROPS is currently the subject of litigation, the item will continue to reflect the determination until the matter is resolved.

The ROPS 21-22 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 21-22 period only and should not be conclusively relied upon for future ROPS periods. All items listed on a future ROPS are subject to Finance's review and may be adjusted even if not adjusted 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.

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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 Todd Vermillion, Supervisor, or Mathew Rios, Staff, at (916) 322-2985.

Sincerely,

Original signed by Cheryl L. McCormick for:

JENNIFER WHITAKER
Program Budget Manager

cc: Siana L. Emmons, City Clerk, City of Fortuna
Karen Paz Dominguez, Auditor-Controller, Humboldt County

Attachment

Approved RPTTF Distribution July 2021 through June 2022			
	ROPS A	ROPS B	Total
RPTTF Requested	\$ 400,000	\$ 645,438	\$ 1,045,438
Administrative RPTTF Requested	0	0	0
Total RPTTF Requested	400,000	645,438	1,045,438
RPTTF Requested	400,000	645,438	1,045,438
<u>Adjustment(s)</u>			
Item No. 3	(100,000)	(100,000)	(200,000)
Item No. 6	(194,155)	0	(194,155)
	(294,155)	(100,000)	(394,155)
RPTTF Authorized	105,845	545,438	651,283
Administrative RPTTF Requested	0	0	0
<u>Adjustment(s)</u>			
Item No. 3	100,000	100,000	200,000
Administrative RPTTF Authorized	100,000	100,000	200,000
ROPS 18-19 prior period adjustment (PPA)	(677)	0	(677)
Total RPTTF Approved for Distribution	\$ 205,168	\$ 645,438	\$ 850,606