DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR
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April 18, 2013

Ms. Ramona Castañeda, Fiscal Services Manager
City of Fullerton Successor Agency
303 West Commonwealth Avenue
Fullerton, CA 92832

Dear Ms. Castañeda:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Fullerton Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14A) to the California Department of Finance (Finance) on March 4, 2013 for the period of July through December 2013. Finance has completed its review of your ROPS 13-14A, which may have included obtaining clarification for various items.

HSC section 34171 (d) defines enforceable obligations. Based on a sample of line items reviewed and application of the law, the following do not qualify as enforceable obligations:

- Item No. 4 – 2005 Tax Allocation Bonds. The Agency requested Redevelopment Property Tax Trust Fund (RPTTF) in the mount of $3,532,745 Based on documentation provided by the Agency, the remaining amount due by September 1, 2013 is $3,199,161. Therefore, Finance is adjusting this item by $333,584.

- Item No. 6 – 2010 Taxable Tax Allocation Housing Bonds. The Agency requested RPTTF funding of $2,103,864. Based on documentation provided by the Agency, the remaining amount due by September 1, 2013 is $2,103,314. Therefore, Finance is adjusting this item by $550.

- Item No. 8 – Steven Peck Owner Participation Agreement in the amount of $6.25 million. HSC section 34163 (b) prohibits a redevelopment agency (RDA) from entering into a contract with any entity after June 27, 2011. It is our understanding that contracts for this line item have not yet been awarded. Therefore, this item is not an enforceable obligation and not eligible for RPTTF funding.

- Item Nos. 23 and 28 – Affordable Housing Monitoring, Administration and Reporting contracts totaling $10.86 million. HSC section 34176 (a) (1) states if a city, county, or city and county elects to retain the authority to perform housing functions previously performed by a redevelopment agency (RDA), all rights, powers, duties, obligations, and housing assets shall be transferred to the city, county, or city and county. Since the City of Fullerton Housing Division assumed the housing functions, the administrative costs associated with these functions is the responsibility of the housing successor.

Therefore, these items are not enforceable obligations and not eligible for RPTTF funding.

- Item No. 26 – County Administration Fee in the amount of $ 200,000. Because HSC section 34182 (e) allows the county auditor-controller to deduct their administrative costs from RPTTF prior to distributing tax increment to the Agency, this line item is not eligible for RPTTF funding on the ROPS.

- Item No. 30 – Capital Improvement Projects in the amount of $95,000. The former RDA is neither a party to the contract nor responsible for payment of the contract. Therefore, this line item is not an enforceable obligation and not eligible for RPTTF funding.

- Item No. 32 – Amerige Court Developer Disposition Agreement (DDA) in the amount of $100,000. HSC section 34163 (c) prohibits a RDA from amending or modifying existing agreements, obligations, or commitments with any entity for any purpose after June 27, 2011. It is our understanding the agreements were amended on February 7, 2012. Additionally, Finance denied this item in our letter dated May 27, 2012, later upheld through the Meet and Confer process in our letter dated December 18, 2012. Finance continues to deny this item. Therefore, the amendment and associated costs are not enforceable obligations and not eligible for RPTTF funding.

- Item No. 33 – State College Grade Separation in the amount of $4.4 million, payable from bond proceeds. This contract is between the City of Fullerton (City) and Orange County Transportation Authority. The former RDA is neither a party to the contract nor responsible for payment of the contract. Additionally, Finance denied this item in our letter dated May 27, 2012, later upheld through the Meet and Confer process in our letter dated December 18, 2012. Finance continues to deny this item. Therefore, this line item is not an enforceable obligation.

- Item Nos. 34 through 36 – Agreements and contracts executed by the City, not the RDA totaling $15,419,860. These contracts are between the City and various third-parties. The former RDA is neither a party to the contract nor responsible for payment of the contract. Additionally, Finance denied this item in our letter dated May 27, 2012, later upheld through the Meet and Confer process in our letter dated December 18, 2012. Finance continues to deny these items. Therefore, these line items are not enforceable obligations and not eligible for RPTTF funding.

- Item No. 37 – City/Agency Cooperative Agreement in the amount of $1.5 million. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city, county, or city and county that created the RDA and the former RDA are not enforceable obligations. Additionally, Finance denied this item in our letter dated May 27, 2012, later upheld through the Meet and Confer process in our letter dated December 18, 2012. Finance continues to deny this item. Therefore, this item is not an enforceable obligation and not eligible for RPTTF funding.

- Item Nos. 38 and 39 – 2005 Bond Non-Housing Proceeds and 2010 Bond Housing Proceeds totaling $47,409,186, payable from bond proceeds. HSC section 34163 (b) prohibits a RDA from entering into a contract with any entity after June 27, 2011. It is our understanding that these items do not have valid contracts executed prior to June 27, 2011, for anticipated projects or project work. Additionally, Finance denied

these items in our letter dated May 27, 2012, later upheld through the Meet and Confer process in our letter dated December 18, 2012. Finance continues to deny this item. Therefore, these items are not enforceable obligations and are not eligible for RPTTF funding.

Pursuant to HSC section 34191.4 (c), requests to use bond proceeds for these obligations may be allowable once the Agency receives a Finding of Completion from Finance.

- Item No. 40 – Pathways to Hope Project in the amount of $640,000, payable from bond proceeds. HSC section 34163 (b) prohibits a RDA from entering into a contract with any entity after June 27, 2011. It is our understanding that this item does not have valid contracts executed prior to June 27, 2011, for anticipated projects or project work. Additionally, Finance denied these items in our letter dated May 27, 2012, later upheld through the Meet and Confer process in our letter dated December 18, 2012. Finance continues to deny this item. Therefore, these items are not enforceable obligations and are not eligible for RPTTF funding.

  Pursuant to HSC section 34191.4 (c), requests to use bond proceeds for this obligation may be allowable once the Agency receives a Finding of Completion from Finance.

Except for items denied in whole or in part as enforceable obligations, Finance is not objecting to the remaining items listed on your ROPS 13-14A. This determination applies only to items where funding was requested for the six month period. If you disagree with the determination with respect to any items on your ROPS 13-14A, 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 Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is $7,076,812 as summarized below:

Approved RPTTF Distribution Amount For the period of July through December 2013		
Total RPTTF funding requested for obligations	$	13,991,411
Minus: Six-month total for items denied or reclassified as administrative cost		
Item 4		333,584
Item 6		550
Item 8		1,562,500
Item 23		60,000
Item 26		200,000
Item 28		65,000
Item 30		47,500
Item 32		25,000
Item 34		45,000
Item 35		330,465
Item 36		3,500,000
Item 37		750,000
Total approved RPTTF for enforceable obligations	$	7,071,812
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost		180,000
Minus: ROPS II prior period adjustment		(175,000)
Total RPTTF approved for distribution:	**$**	**7,076,812**

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2012 period. HSC Section 34186 (a) also specifies that the prior period adjustments self-reported by successor agencies are subject to audit by the county auditor-controller (CAC) and the State Controller. The amount of RPTTF approved in the above table includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

Please refer to the ROPS 13-14A schedule that was used to calculate the approved RPTTF amount:

http://www.dof.ca.gov/redevelopment/ROPS/ROPS 13-14A Forms by Successor Agency/.

This is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2013. Finance's determination is effective for this time period only and should not be conclusively relied upon for future periods. All items listed on a future ROPS are subject to a subsequent review and may be denied even if it was or was not denied on this ROPS or a preceding ROPS. The only exception is for those items that have received a Final and Conclusive determination from Finance pursuant to HSC 34177.5 (i). Finance's review of items that have received a Final and Conclusive determination 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 that was available prior to enactment of ABx1 26 and AB 1484. This amount is not and never was an unlimited funding source. 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 successor agency in the RPTTF.

To the extent proceeds from bonds issued after December 31, 2010 exist and are not encumbered by an enforceable obligation pursuant to 34171 (d), HSC section 34191.4 (c)(2)(B) requires these proceeds be used to defease the bonds or to purchase those same outstanding bonds on the open market for cancellation.

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

Sincerely,

STEVE SZALAY
Local Government Consultant

cc: Mr. Charles Kovac, Project Manager
Mr. Frank Davies, Property Tax Manager, County of Orange
California State Controller's Office