



November 10, 2014

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

Dear Ms. Castaneda:

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 14-15B) to the California Department of Finance (Finance) on September 29, 2014 for the period of January 1 through June 30, 2015. Finance has completed its review of your ROPS 14-15B, which may have included obtaining clarification for various items.

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

- Item No. 10 – Garnet Community Center Lease in the amount of \$16,020 has been adjusted to \$8,010. This item is an enforceable obligation; however, the lease expires on April 4, 2015. The Agency provided documentation which indicates lease payments total \$2,670 per month. Since the remaining portion of the lease covers only three months of the ROPS 14-15B period, the approved amount has been adjusted to \$8,010 (\$2,670 x 3 months). Therefore, the excess \$8,010 (\$16,020 - \$8,010) is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.
- Item No. 16 – Project T Grant Match in the amount of \$98,000 is not allowed. Finance continues to deny this item. These contracts are between the City of Fullerton (City) and various third-parties. The former redevelopment agency (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 is not eligible for RPTTF funding.
- Item No. 18 – Downtown Core & Corridors Specific Plan in the amount of \$1,321,860 is not allowed. Finance continues to deny this item. The contract is between the City and a third-party and the Agency is not a party to the contract. The Agency stated the RDA committed funds for the City's project per the City and RDA Cooperation Agreement dated January 25, 2011. However, HSC 34171 (d) (2) states that agreements, contracts, or arrangements between the city that created the RDA and the former RDA are not enforceable, unless issued within two years of the RDA creation date or for issuance of indebtedness to third-party investors or bondholders. Therefore, this line item is not an enforceable obligation and is not eligible for RPTTF funding.

- Item Nos. 19 and 20 – City and Agency Cooperation Agreements (Agreements) dated January 29, 2011 and June 7, 2011, totaling \$15,500,000, are not allowed. Finance continues to deny these items. The Agency contends the Agreements committed the RDA to fund the related capital improvement projects. However, HSC 34171 (d) (2) states that agreements, contracts, or arrangements between the city that created the RDA and the former RDA are not enforceable, unless issued within two years of the RDA creation date or for issuance of indebtedness to third-party investors or bondholders. Therefore, these line items are not enforceable obligations and are not eligible for RPTTF funding
- Item Nos. 23 and 28 – Affordable Housing Monitoring, Administration, and Reporting contracts totaling \$10,665,000, are not allowed. Finance continues to deny these items. Finance denied these items as the City Housing Division assumed the housing functions. Upon the transfer of the former RDA's housing functions to the new housing entity, HSC section 34176 requires that "all rights, powers, duties, obligations, and housing assets...shall be transferred" to the new housing entity. This transfer of "duties and obligations" necessarily includes the transfer of administrative obligations; to the extent any continue to be applicable. To conclude that such costs should be on-going enforceable obligations of the successor agency could require a transfer of tax increment for life – directly contrary to the wind down directive in AB x1 26/AB 1484. Therefore, these items are not enforceable obligations and are not eligible for RPTTF funding.
- Item No. 30 – Capital Improvement Projects in the amount of \$95,000 is not allowed. Finance continues to deny this item. Finance originally denied this item because the contract is between the City and Griffin Structures; the RDA is not a party to the contract. The Agency stated the City and RDA signed a cooperation agreement on January 29, 2011 committing RDA funding to the City agreement with Griffin Structures, Inc. However, HSC 34171(d) (2) states that agreements, contracts, or arrangements between the city that created the RDA and the former RDA are not enforceable, unless issued within two years of the RDA creation date or for issuance of indebtedness to third-party investors or bondholders. Therefore, this item is not an enforceable obligation and is not eligible for RPTTF funding.
- Item No. 53 – Fire Stations Replacement in the amount of \$1,000,000 in Bond Proceeds is removed. The Agency has requested that funding for this item be removed from the ROPS. Therefore, this item is not eligible for funding from Bond Proceeds at this time.
- Item No. 55 – Refunding 1998 Revenue Bonds in the amount of \$19,600,000 is not allowed at this time. It is our understanding the Agency is in the process of refunding the 1998 City Public Financing Authority Revenue Bonds. Finance is currently reviewing Oversight Board Action No. 2014-06, which authorizes the issuance of refunding bonds, however, Finance has not yet concluded our review of the action. Additionally, the Agency has requested funding for debt service for the existing bond as well; requesting funding for contingencies is not an allowable use of funds. Finally, the Refunding Bonds must be issued before the Agency can request funding on a ROPS. Therefore, this item is not eligible for RPTTF funding at this time.

The Agency received a Finding of Completion on May 10, 2013 and is allowed to expend bond proceeds deriving from bonds issued prior to January 1, 2011 (pre-2011 bond proceeds) in a

manner consistent with the bond covenant. The Agency intends to transfer \$3,000,000 in pre-2011 bond proceeds to the City during the ROPS 14-15B period, as listed Item No. 54 – Pacific Hawaiian Affordable Housing Development. While the item is approved, before the actual transfer can take place, a bond expenditure agreement with the City outlining the transfer of pre-2011 bond proceeds should be approved by the Oversight Board, and submitted to Finance for review and approval.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 14-15B form the estimated obligations and actual payments (prior period adjustments) associated with the January through June 2014 period. HSC section 34186 (a) also specifies 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 table below includes the prior period adjustment resulting from the CAC's review of the Agency's self-reported prior period adjustment.

Except for the items denied in whole or in part, Finance is not objecting to the remaining items listed on your ROPS 14-15B. If you disagree with the determination with respect to any items on your ROPS 14-15B, 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/](http://www.dof.ca.gov/redevelopment/meet_and_confer/)

The Agency's maximum approved RPTTF distribution for the reporting period is \$6,113,339 as summarized in the Approved RPTTF Distribution Table below:

<b>Approved RPTTF Distribution For the period of January through June 2015</b>	
Total RPTTF requested for non-administrative obligations	9,848,216
Total RPTTF requested for administrative obligations	185,000
<b>Total RPTTF requested for obligations on ROPS</b>	<b>\$ 10,033,216</b>
<b>Total RPTTF requested for non-administrative obligations</b>	<b>9,848,216</b>
<u>Denied Items</u>	
Item No. 10	(8,010)
Item No. 16	(45,000)
Item No. 18	(330,465)
Item No. 19	(1,000,000)
Item No. 20	(500,000)
Item No. 23	(60,000)
Item No. 28	(65,000)
Item No. 30	(47,500)
Item No. 55	(1,500,000)
	(3,555,975)
<b>Total RPTTF authorized for non-administrative obligations</b>	<b>\$ 6,292,241</b>
<b>Total RPTTF requested for administrative obligations</b>	<b>185,000</b>
<b>Total RPTTF authorized for administrative obligations</b>	<b>\$ 185,000</b>
<b>Total RPTTF authorized for obligations</b>	<b>\$ 6,477,241</b>
ROPS 13-14B prior period adjustment	(363,902)
<b>Total RPTTF approved for distribution</b>	<b>\$ 6,113,339</b>

Please refer to the ROPS 14-15B schedule that was used to calculate the approved RPTTF amount:

<http://www.dof.ca.gov/redevelopment/ROPS>

Absent a Meet and Confer, this is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2015. This determination only applies to items where funding was requested for the six-month period. 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 section 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 the 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 agency in the RPTTF.

Pursuant to HSC section 34177 (a) (3), only those payments listed on an approved ROPS may be made by the successor agency from the funds specified in the ROPS. However, if for whatever reason the Agency needs to make payments for approved obligations from another funding source, HSC section 34177 (a) (4) requires the Agency to first obtain oversight board approval.

To the extent proceeds from bonds issued after December 31, 2010 exist and are not encumbered by an enforceable obligation pursuant to HSC section 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 Alexander Watt, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD  
Acting Program Budget Manager

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