DEPARTMENT OF FINANCE

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REVISED

December 14, 2015

Ms. Grace E. Lee, Senior Economic Development Specialist
City of Garden Grove
11222 Acacia Parkway
Garden Grove, CA 92840

Dear Ms. Lee:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated November 7, 2014. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Garden Grove Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15B) to Finance on September 24, 2014, for the period of January through June 2015. Finance issued a ROPS determination letter on November 7, 2014. Subsequently, the Agency requested a Meet and Confer session on one or more of the items denied by Finance. The Meet and Confer session was held on November 18, 2014.

Based on a review of additional information and documentation provided to Finance during the Meet and Confer process, Finance has completed its review of the specific items being disputed.

- Item No. 40 – Limón Law Suit Settlement totaling $1,936,540. Finance no longer denies this item and recognizes the stipulated judgment as an enforceable obligation for purposes of the ROPS. In the ROPS 14-15B, the Agency requested $141,540 for relocation assistance payments and $795,000 for attorney fees. As related to the $141,540 in relocation assistance payments, the Agency should utilize funds currently sequestered by the County Auditor-Controller (CAC) to fund the obligation. As related to the $795,000 requested for attorney fees, Finance has approved funding in the January through June 2016 ROPS period.

- Item Nos. 42 through 46 – Overages for various obligations totaling $387,271. Finance continues to deny these items; however, Finance increases Item Nos. 14, 16, 19, 22, and 25 to accommodate these overages. We note that these items were approved as enforceable obligations on the ROPS 14-15B. The Agency included Items 42 through 46 on the ROPS to gain authority and receive RPTTF to account for the amounts spent in excess of the estimated amounts approved during ROPS 13-14B. The Agency did not include the excess amounts actually expended during ROPS 13-14B on the prior period adjustment tab; therefore, the prior period adjustment will not reflect the overages and the Agency will not have sufficient funds available for ROPS 14-15B unless this adjustment is made. Therefore, Finance increases the items below in the amounts

indicated and remind the Agency that per HSC section 34177 (a) (3), only those payments listed on ROPS may be made by the Agency from the funds specified on the ROPS :

- Item No. 14 is increased by $116,427
- Item No. 16 is increased by $11,614
- Item No. 19 is increased by $168,785
- Item No. 22 is increased by $2,421
- Item No. 25 is increased by $88,024

- Claimed administrative costs exceed the allowance by $62,687. HSC section 34171 (b) limits the fiscal year 2014-15 administrative expenses to three percent of property tax allocated to the Agency or $250,000, whichever is greater. The Orange County Auditor-Controller's Office distributed $342,485 for the July through December 2014 period, thus leaving a balance of $275,158 available for the January through June 2015 period. Although $337,845 is claimed for administrative cost, only $275,158 is available pursuant to the cap. Therefore, $62,687 in excess administrative cost is not allowed.

In addition, per Finance's letter dated November 7, 2014, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should be used prior to requesting RPTTF. Pursuant to HSC section 34177 (l) (1) (E), RPTTF may be used as a funding source, but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation. The Agency provided general ledgers for the period ended December 31, 2013, which displayed available Reserve Balances totaling $244,399.

Therefore, with the Agency's concurrence, the funding source for the following item has been reclassified to Reserve Balances and in the amount specified below:

- Item No. 14 – Union Bank of California Loan. The Agency requests $2,466,427 from RPTTF; however, Finance is reclassifying $244,399 to Reserve Balances. This item is an enforceable obligation for the ROPS 14-15B period. However, the obligation does not require payment from property tax revenues and the Agency has $244,399 in available Reserve Balances. Therefore, Finance is approving RPTTF in the amount of $2,222,028 and the use of Reserve Balances in the amount of $244,399, totaling $2,466,427.

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 items denied in part or for the item that has been reclassified, Finance is not objecting to the remaining items listed on your ROPS 14-15B. The Agency's maximum approved RPTTF distribution for the reporting period is $10,106,560 as summarized in the Approved RPTTF Distribution Table below:

Approved RPTTF Distribution For the period of January through June 2015		
Total RPTTF requested for non-administrative obligations		11,261,515
Total RPTTF requested for administrative obligations		337,845
Total RPTTF requested for obligations on ROPS	**$**	**11,599,360**
RPTTF increase (Items 14, 16, 19, 22, 25)		387,271
Total RPTTF adjustments	**$**	**387,271**
Total RPTTF requested for non-administrative obligations		**11,648,786**
Denied Items		
Item No. 40		(795,000)
Item No. 42		(116,427)
Item No. 43		(11,614)
Item No. 44		(168,785)
Item No. 45		(88,024)
Item No. 46		(2,421)
		(1,182,271)
Total RPTTF for non-administrative obligations		**10,466,515**
Cash Balances - Item reclassified to other funding sources		
Item No. 14		(244,399)
		(244,399)
Total RPTTF authorized for non-administrative obligations	**$**	**10,222,116**
Total RPTTF requested for administrative obligations		**337,845**
Administrative costs in excess of the cap		(62,687)
Total RPTTF authorized for administrative obligations	**$**	**275,158**
Total RPTTF authorized for obligations	**$**	**10,497,274**
ROPS 13-14B prior period adjustment		(390,714)
Total RPTTF approved for distribution	**$**	**10,106,560**

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

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

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 Evelyn Suess, Dispute Resolution Supervisor or Danielle Brandon, Analyst at (916) 445-1546.

Sincerely,

JUSTYN HOWARD
Program Budget Manager

cc: Mr. Kingsley Okereke, Finance Director/Assistant City Manager, City of Garden Grove
Mr. Frank Davies, Property Tax Manager, Orange County