

April 12, 2015

Mr. David Cain, Finance Director
City of Fountain Valley
10200 Slater Avenue
Fountain Valley, CA 92708

Dear Mr. Cain:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Fountain Valley Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 15-16A) to the California Department of Finance (Finance) on February 27, 2015 for the period of July 1 through December 31, 2015. Finance has completed its review of your ROPS 15-16A, 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. 1 – 1998 Tax Allocation Bonds (TABs) debt service payment in the amount of \$1,942,185. It is our understanding the amount requested is the final bond payment, due January 1, 2016. According to information provided to Finance, the Agency has \$1,963,541 in a Reserve Account as of June 30, 2014, specifically held for the 1998 TABs. However, the Agency could not provide sufficient documentation that indicates the Reserve Account cannot be used for the final bond payment. To the extent the Agency can provide suitable documentation which indicates the Reserve Account is otherwise legally restricted and unable to be used for the final bond payment, the Agency may be able to obtain Redevelopment Property Tax Trust Funds (RPTTF).
- Item No. 4 – 2003 Certificates of Participation in the amount of \$8,178,672. Finance continues to deny this item. This bond is secured solely through lease payments of the City. There is no requirement to fund this bond through tax increment. Therefore, this line item is not an enforceable obligation and is not eligible for RPTTF funding.
- Item No. 7 – Mike Thompson, Owner Participation Agreement (OPA) in the amount of \$757,702. Finance continues to deny this item. The Agency refers to the OPA as a Ground Lease; the Ground Lease was between the City of Fountain Valley and Mike Thompson). Because the former redevelopment agency (RDA) was not a party to the agreement, this item is not an enforceable obligation and is not eligible for RPTTF funding.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 15-16A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 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 15-16A. If you disagree with the determination with respect to any items on your ROPS 15-16A, 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 RPTTF distribution for the reporting period is \$1,036,808 as summarized in the Approved RPTTF Distribution table below:

Approved RPTTF Distribution	
For the period of July through December 2015	
Total RPTTF requested for non-administrative obligations	6,374,574
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations on ROPS	\$ 6,499,574
Total RPTTF requested for non-administrative obligations	6,374,574
Denied Items	
Item No. 1	(1,942,185)
Item No. 4	(2,662,761)
Item No. 7	(757,702)
	(5,362,648)
Total RPTTF authorized for non-administrative obligations	\$ 1,011,926
Total RPTTF requested for administrative obligations	125,000
Total RPTTF authorized for administrative obligations	\$ 125,000
Total RPTTF authorized for obligations	\$ 1,136,926
ROPS 14-15A prior period adjustment	(100,118)
Total RPTTF approved for distribution	\$ 1,036,808

Please refer to the ROPS 15-16A 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 July 1 through December 31, 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 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
Program Budget Manager

cc: Mr. Jim Simon, Consultant, Rosenow Spevacek Group, Inc., City of Fountain Valley
Mr. Frank Davies, Property Tax Manager, Orange County
California State Controller's Office