



November 6, 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

Pursuant to Health and Safety Code (HSC) section 34177 (m) (1) (A), the City of Garden Grove Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule for the period January 1 through June 30, 2016 (ROPS 15-16B) to the California Department of Finance (Finance) on September 23, 2015. Finance has completed its review of the ROPS 15-16B.

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

- Item No. 22 – Brookhurst Triangle Disposition and Development Agreement in the amount of \$400,000 has been adjusted. The Agency requested an increase of \$100,000 for this item. However, Finance reduced the requested amount by the actual expenditures incurred during July 1, 2015 through September 30, 2015. Therefore, Finance approves \$499,449 ($\$400,000 + \$100,000 - \551) in Redevelopment Property Tax Trust Funds (RPTTF) for this item this ROPS period.
- Item No. 41 – Brookhurst Legal Services in the amount of \$50,000. Finance continues to reclassify this item to the Agency's Administrative Cost Allowance (ACA). The legal services as confirmed by the Agency are not related to litigation expenses, do not fall into any of the categories that are specifically excluded from the administrative cap as defined by HSC section 34171 (b), and are administrative in nature. Therefore, this item is considered a general administrative cost payable from the Agency's ACA.
- Item No. 48 – Site C Disposition and Development Agreement in the amount of \$1,500,000 requested for ROPS 15-16B and total outstanding balance of \$44,000,000 is not allowed. Finance continues to deny this item. It is our understanding the contract for this item was awarded after June 27, 2011. HSC section 34163 (b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011. Therefore, this item is not an enforceable obligation and is not eligible for RPTTF funding in the amount of \$1,500,000 on this ROPS.

- Item No. 50 – Limon Law Suit Settlement/Judgment in the amount of \$1,600,000 is not allowed. The Agency was unable to provide sufficient documentation to support the amount claimed. The Agency requested the full funding requirement for an affordable housing project, where \$1,600,000 is required 45 days prior to completion of the construction of the improvements and readiness to cause the conversions as outlined in Section 401.2 (a) of the development agreement. However, the Agency did not provide sufficient documentation to support the estimated 6-month expenditures, nor show the housing replacement cost per unit. To the extent the Agency can provide suitable documentation, such as executed contracts or vendor invoices, to support the requested funding, the Agency may be able to obtain RPTTF on future ROPS. Therefore, while this item is an enforceable obligation, it is not eligible for RPTTF funding in the amount of \$1,600,000 without further documentation.
- Item No. 51 – Housing Successor Administration in the amount of \$75,000 requested for ROPS 15-16B and total outstanding balance of \$1,500,000 is not allowed. Finance continues to deny this item. Pursuant to HSC section 34171 (p), the housing successor administrative cost allowance is applicable only in cases where the city, county, or city and county that authorized the creation of the redevelopment agency elected to not assume the housing functions. Because the housing successor to the former redevelopment agency of the City of Garden Grove (City) is the City-formed Housing Authority and the Authority operates under the control of the City, the Authority is considered the City under Dissolution Law pursuant to HSC section 34167.10. Therefore, \$75,000 of housing successor administrative allowance requested this ROPS period is not allowed.
- Item No. 55 – Limon Litigation Agency Legal Fees in the amount of 50,000 is not allowed. The Agency's legal fees for the Limon Litigation case are not inclusive of the Judgment ruling. Therefore, this item is not eligible for RPTTF funding on this ROPS.
- The Agency's claimed administrative costs exceed the allowance by \$147,599. HSC section 34171 (b) (2) limits fiscal year 2015-16 administrative expenses to three percent of distributed RPTTF in the preceding fiscal year or \$250,000, whichever is greater. As a result, the Agency is eligible for \$526,960 in administrative expenses.

The Orange County Auditor-Controller distributed \$305,746 administrative costs for the July through December ROPS 15-16A period, thus leaving a balance of \$ 221,214 available for the January through June ROPS 15-16B period. Although \$318,813 is claimed for administrative cost, Item No. 41 – Brookhurst Legal Services, in the amount of \$50,000, is considered an administrative expense and should be counted toward the cap. Therefore, \$147,599 of excess ACA is not allowed.

Pursuant to HSC section 34186 (a) (1), the Agency was required to report on the ROPS 15-16B form the estimated obligations versus actual payments (prior period adjustment) associated with the January through June 2015 period (ROPS 14-15B). HSC section 34186 (a) (1) also specifies the prior period adjustment self-reported by the Agency is subject to review by the county auditor-controller (CAC). The amount of RPTTF approved in the table below includes the prior period adjustment resulting from the CAC's approval of the Agency's self-reported prior period adjustment.

Except for the items denied in whole or in part or the item that has been reclassified, Finance is not objecting to the remaining items listed on your ROPS 15-16B. If you disagree with Finance's determination with respect to any items on your ROPS 15-16B, except for those items which are the subject of litigation disputing Finance's previous or related determinations, 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 \$5,973,748 as summarized in the Approved RPTTF Distribution table below:

Approved RPTTF Distribution	
For the period of January through June 2016	
Total RPTTF requested for non-administrative obligations	10,627,103
Total RPTTF requested for administrative obligations	318,813
Total RPTTF requested for obligations on ROPS 15-16B	\$ 10,945,916
RPTTF adjustment to non-administrative obligations - Item No. 22	99,449
Total RPTTF adjustment	\$ 99,449
Total RPTTF requested for non-administrative obligations	10,726,552
<u>Denied Items</u>	
Item No. 48	(1,500,000)
Item No. 50	(1,600,000)
Item No. 51	(75,000)
Item No. 55	(50,000)
	(3,225,000)
<u>Reclassified Item</u>	
Item No. 41	(50,000)
Total RPTTF authorized for non-administrative obligations	\$ 7,451,552
Total RPTTF requested for administrative obligations	318,813
<u>Reclassified Item</u>	
Item No. 41	50,000
	368,813
Administrative costs in excess of the cap (see Admin Cost Cap table below)	(147,599)
Total RPTTF authorized for administrative obligations	\$ 221,214
Total RPTTF authorized for obligations	\$ 7,672,766
ROPS 14-15B prior period adjustment	(1,699,018)
Total RPTTF approved for distribution	\$ 5,973,748

Administrative Cost Cap Calculation	
Total RPTTF for 15-16A (July through December 2015)	10,113,781
Total RPTTF for 15-16B (January through June 2016)	7,451,552
Total RPTTF for fiscal year 2015-2016	17,565,333
Administrative cost cap for fiscal year 2015-16 (Greater of 3% of Total RPTTF or \$250,000)	526,960
Administrative allowance for ROPS 15-16A (July through December 2015)	(305,746)
Remaining administrative cost cap for ROPS 15-16B	221,214
ROPS 15-16B administrative obligations after Finance adjustments	(368,813)
Administrative costs in excess of the cap	\$ (147,599)

On the ROPS 15-16B form, the Agency reported cash balances and activity for the period January 1 through December 31, 2015. Finance will perform a review of the Agency's self-reported cash balances on an ongoing basis. Please be prepared to submit financial records and bridging documents to support the cash balances reported upon request. If it is determined the Agency possesses cash balances that are available to pay approved obligations, HSC section 34177 (l) (1) (E) requires these balances be used prior to requesting RPTTF.

Please refer to the ROPS 15-16B schedule used to calculate the total RPTTF approved for distribution:

<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, 2016. This determination only applies to items when 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 ROPS periods. All items listed on a future ROPS are subject to review and may be denied even if it was not denied 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.

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 statutes. 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.

Please direct inquiries to Nichelle Thomas, Supervisor, or Medy Lamorena, Lead 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