DEPARTMENT OF FINANCE
OFFICE OF THE DIRECTOR

GAVIN NEWSOM • GOVERNOR
STATE CAPITOL ■ ROOM 1145 ■ SACRAMENTO CA ■ 95814-4998 ■ WWW.DOF.CA.GOV

April 9, 2019

Ms. Monica L. Covarrubias, Project Manager
City of Garden Grove
11222 Acacia Parkway
Garden Grove, CA 92840

Dear Ms. Covarrubias:

Subject: 2019-20 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Garden Grove Successor Agency (Agency) submitted an annual Recognized Obligation Payment Schedule for the period of July 1, 2019 through June 30, 2020 (ROPS 19-20) to the California Department of Finance (Finance) on January 25, 2019. Finance has completed its review of the ROPS 19-20.

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

- Item No. 51 – Housing Successor Administration in the total outstanding amount 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 in which the city, county, or city and county that authorized the creation of the Redevelopment Agency (RDA) elected to not assume the housing functions. Here the housing successor to the former RDA of the City of Garden Grove (City) is the City formed Housing Authority, and the Authority operates under the control of the City. Consequently, the Authority is considered the City under dissolution law pursuant to HSC section 34167.10. Therefore, the Housing Authority is not eligible for the housing successor administrative cost allowance in the requested amount of $150,000 in Redevelopment Property Tax Trust Fund (RPTTF).

- On the ROPS 19-20 form, the Agency reported cash balances and activity for the period July 1, 2016 through June 30, 2017 (ROPS 16-17). According to our review, the Agency has approximately $296,778 from Other Funds available to fund enforceable obligations on the ROPS 19-20. HSC section 34177 (l) (1) (E) requires these balances to be used prior to requesting RPTTF. Therefore, the funding source for the following item has been reclassified in the amount specified below:

    - Item No. 14 – Union Bank Loan in the amount of $4,066,667 is partially reclassified. This item does not require payment from property tax revenues. Therefore, Finance is approving RPTTF in the amount of $3,769,889 and the use of Other Funds in the amount of $296,778, totaling $4,066,667.

- The administrative costs claimed are within the fiscal year administrative cap pursuant to HSC section 34171 (b) (3). However, Finance notes the Oversight Board (OB) has approved an amount that appears excessive, given the number and nature of the obligations listed on the ROPS. HSC section 34179 (i) requires the OB to exercise a fiduciary duty to the taxing entities. Therefore, Finance encourages the OB to apply adequate oversight when evaluating the administrative resources necessary to successfully wind-down the Agency.

Pursuant to HSC section 34186, successor agencies are required to report differences between actual payments and past estimated obligations. Reported differences in RPTTF are used to offset current RPTTF distributions. The amount of RPTTF approved in the table on Page 4 includes the prior period adjustment resulting from the County Auditor-Controller's review of the prior period adjustment form submitted by the Agency.

Except for the items adjusted, Finance is not objecting to the remaining items listed on the ROPS 19-20. If the Agency disagrees with our determination with respect to any items on the ROPS 19-20, except items which are the subject of litigation disputing our previous or related determinations, the Agency 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 on our website:

http://dof.ca.gov/Programs/Redevelopment/Meet_And_Confer/

The Agency's maximum approved RPTTF distribution for the reporting period is $18,168,297 as summarized in the Approved RPTTF Distribution table on Page 4 (see Attachment).

RPTTF distributions occur biannually, one distribution for the July 1 through December 31 period (ROPS A period), and one distribution for the January 1 through June 30 period (ROPS B period) based on Finance approved amounts. Since this determination is for the entire ROPS 19-20 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

Absent a Meet and Confer, this is our final determination regarding the obligations listed on the ROPS 19-20. This determination only applies to items when funding was requested for the 12-month period. If a denial by Finance in a previous ROPS is currently the subject of litigation, the item will continue to be denied until the matter is resolved.

The ROPS 19-20 form submitted by the Agency and this determination letter will be posted on our website:

http://dof.ca.gov/Programs/Redevelopment/ROPS/

This determination is effective for the ROPS 19-20 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 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 RPTTF is the same as the amount of property tax increment available prior to the enactment of redevelopment dissolution law. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax increment is limited to the amount of funding available to the Agency in RPTTF.

Please direct inquiries to Nichelle Jackson, Supervisor, or Alexander Watt, Lead Analyst, at (916) 322-2985.

Sincerely,

JENNIFER WHITAKER
Program Budget Manager

cc: Ms. Lisa Kim, Community and Economic Development Director, City of Garden Grove
Mr. Israel M. Guevara, Administrative Manager, Property Tax Section, Orange County

Attachment

Approved RPTTF Distribution For the period of July 1, 2019 through June 30, 2020			
	ROPS A Period	ROPS B Period	ROPS 19-20 Total
RPTTF Requested	$ 11,354,344	$ 8,525,025	$ 19,879,369
Administrative RPTTF Requested	197,577	197,576	395,153
Total RPTTF Requested	**11,551,921**	**8,722,601**	**20,274,522**
RPTTF Requested	11,354,344	8,525,025	19,879,369
Adjustments			
Item No. 14	(296,778)	0	(296,778)
Item No. 51	(75,000)	(75,000)	(150,000)
	(371,778)	(75,000)	(446,778)
RPTTF Authorized	**10,982,566**	**8,450,025**	**19,432,591**
Administrative RPTTF Authorized	**197,577**	**197,576**	**395,153**
Total RPTTF Authorized for Obligations	**11,180,143**	**8,647,601**	**19,827,744**
Prior Period Adjustment	(1,659,447)	0	(1,659,447)
Total RPTTF Approved for Distribution	**$ 9,520,696**	**$ 8,647,601**	**$ 18,168,297**