



# CITY OF FOUNTAIN VALLEY

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THE OFFICE OF THE MAYOR

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August 21, 2012

Honorable Judge Thomas J. Borris  
Presiding Judge of the Superior Court  
700 Civic Center Drive West,  
Santa Ana, CA 92701

RE: Response to Grand Jury Report – *“The Dissolution of Redevelopment: Where Have We Been? What Lies Ahead?”*

Dear Judge Borris:

This letter is submitted in response to the recent Grand Jury Report *“The Dissolution of Redevelopment: Where Have We Been? What Lies Ahead?”* Pursuant to State law, the City of Fountain Valley has prepared a response to the finding and recommendations contained in the report. The Fountain Valley City Council approved this response at their meeting of August 21, 2012.

Responses for the City of Fountain Valley are as follows:

***F1. As of the date of dissolution of redevelopment (February 1, 2012), all city operated redevelopment agencies except Mission Viejo and Seal Beach, were exceeding the administrative costs limit of 5% of the tax increment distributed to the ROPS as authorized by ABX1 26.***

The City of Fountain Valley agrees with the finding as of February 1, 2012; however it should be noted the 5% administrative cap did not become law until the recent passage of ABX1 26.

***F2. Of the agencies surveyed, only Costa Mesa and Santa Ana reported having a citizen involvement committee along the line of a Project Area Committee as authorized by Section 33385 of the Health and Safety Code.***

**Response:** The City of Fountain Valley agrees with the finding; however it should be noted the former Industrial Area Redevelopment Plan had no residential uses or areas that were subject to Health and Safety Code 33385.

***F3. Historically, external oversight over development has been missing or ineffective in monitoring redevelopment agency compliance and performance. The newly formed oversight boards offer a potential to improve on that record by providing critical evaluation of existing projects and management of the successor agency debt.***

**Response:** Disagree. While the oversight boards are granted some discretionary review authority, the State Department of Finance has the absolute power and can override the oversight board's decisions. This erodes local control.

***R1. All successor agencies should review administrative costs to ensure compliance with the limit of five percent of the tax-increment or less as required by ABX1 26 and develop a plan to reduce those costs to three percent of the tax increment received or less in 2012-13. If these percentages fall below \$250,000, the agencies are allowed to claim the higher amount.***

**Response:** This recommendation has been implemented. The successor agency administrative costs will be limited as provided in ABX1 26.

***R2. Successor agencies and oversight boards should review the Recognized Obligations Payment Schedule with a view toward limiting the range of project and obligations thereby retiring the enforceable obligation debt as quickly as possible.***

**Response:** This recommendation has been implemented. The successor agency will review the ROPS to retire enforceable obligation debt as provided in ABX1 26. It should be noted that ABX1 26 and AB 1484 restrict how quickly debt obligations, such as bonds and certificates of participations, can be paid off. This limitation can actually cost taxpayers more money due to the amount of interest that is paid over an extended amortization period.

***R4. Successor agencies and oversight boards should critically review the Recognized Obligations Payment Schedule (ROPS) to evaluate the need for debt owed to the City.***

**Response:** This recommendation has been implemented. City debt was evaluated for payment by Fountain Valley's successor agency and oversight board consistent with ABX1 26 and AB1484.

***R5. Successor agencies and oversight boards should critically review the Recognized Obligations Payment Schedule (ROPS) to evaluate the need for incentive payments to commercial entities.***

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This recommendation has been implemented. Only incentive payments to commercial entities that were approved by contract or similar agreement prior to the approval of ABX1 26 have been include on the Recognized Obligation Payment scheduled as approved by the Fountain Valley successor agency and oversight board.

We hope the responses discussed above meet to your satisfaction and the satisfaction of the Grand Jury. If you have any questions do not hesitate to call us at 714-593-4410.

Sincerely,



John J. Collins  
Mayor