



NEWS RELEASE

For Immediate Release

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Date: Monday, March 16, 2015

City of Tustin to Ask Court to Order the Department of Finance to Comply with the Law

Tustin, CA. – The City of Tustin is going to court to request a Judge to compel the State’s Department of Finance to allow the City to be repaid by its former Redevelopment Agency (RDA) for \$42 million in loans the former RDA agreed to repay the City. The City argues that the State is illegally denying the City repayment of the funds under a State law that requires “loans” to the former RDAs to be honored.

“The Department of Finance is arbitrarily contorting the definition of ‘loan’ to deny Tustin and local agencies repayments of some loans,” said Tustin Mayor Chuck Puckett. “Courts in other cases have already rejected the State’s position that some repayment agreements aren’t ‘loans’, but the Department is sticking with its illegal position.”

When RDAs were dissolved through a change in State law in 2011, many of the RDAs owed money to the local agencies that had created them. In the years before dissolution, cities like Tustin had advanced funds for projects like road improvements and affordable housing with the promise that the local taxpayers would be paid back by the RDAs. Now the Department of Finance is saying those legally-made loans are no longer enforceable and is requiring the RDAs to renege on those promises.

“The City, the Tustin Successor Agency, and the Oversight Board that oversees the dissolution process all approved of the repayments and have reaffirmed those agreements on multiple occasions,” said Tustin City Manager, Jeffrey Parker.





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“Now, the State is stepping in at the 11th hour and preventing the Successor Agency from honoring its legal agreements,” Parker said.

“It’s a money-grab by the State,” the Mayor said. “Instead of repaying the funds so they can be used for vital local projects in Tustin where the taxes were paid, the Department of Finance is trying to redirect those funds, ultimately to increase the State’s revenue at cities’ expense.”

“Plus, at the same time it’s forbidding Successor Agencies to make payments where the Agencies owe monies, the State is requiring the cities to pay back in full any loans owed to the Successor Agencies”, Puckett said. “It’s an arbitrary double-standard that violates basic principles of fairness. The Department of Finance’s position rejecting the payment of loans owed to Tustin ignores State law, it’s an abuse of their power - and it’s just wrong.”

“The City met with DoF and made every effort to allow the City to be repaid,” said Parker. “Unfortunately the only way left to protect the taxpayers’ \$42 million from being snatched away by the State is to ask a court to order the Department of Finance to comply with the law.”

City officials said the writ of mandate lawsuit is not a complex case so the City expects a court decision in less than a year. State law requires all cases about dissolution of the former RDAs to be filed in Sacramento County, so the matter will be heard there instead of Orange County.

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