



October 28, 2013

Ms. Inez Kiriu, Finance Director
City of Galt
380 Civic Drive
Galt, CA 95632

Dear Ms. Kiriu:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Galt Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14B) to the California Department of Finance (Finance) on September 17, 2013 for the period of January through June 2014. Finance has completed its review of your ROPS 13-14B, which may have included obtaining clarification for various items.

HSC section 34171 (d) defines enforceable obligations. Based on a sample of line items reviewed and application of the law, the following do not qualify as enforceable obligations for the reasons specified:

- Item No. 3 – Cooperative Agreement between the City of Galt (City) and the former redevelopment agency (RDA) in the amount of \$13,398,588 is not an enforceable obligation at this time. It is our understanding this agreement was issued on January 21, 2011 in order for the City to provide various administrative services to the RDA, and for the former RDA to pay the City for the costs of various projects and the acquisition of property.

HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city that created the RDA and the former RDA are not enforceable, unless issued within two years of the RDA's creation date or for issuance of indebtedness to third-party investors or bondholders. This loan was issued after the first two years of the former RDA's creation and is not associated with the issuance of debt. Therefore, this line item is not an enforceable obligation and is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding on this ROPS.

Upon receiving a Finding of Completion from Finance and after the oversight board makes a finding the loan was issued for legitimate redevelopment purposes, HSC section 34191.4 (b) may cause these items to be enforceable in future ROPS periods.

- Item Nos. 13, 21, 29 and 35 – Project Delivery Costs funded with \$6,735,609 in bond proceeds are not enforceable obligations at this time. HSC section 34163 (b) prohibits

an RDA from entering into a contract with any entity after June 27, 2011. It is our understanding that contracts for these line items have not yet been awarded.

It is also our understanding these bonds were issued after December 31, 2010. HSC section 34191.4 (c) (2) (B) requires these proceeds to be used to defease the bonds or to purchase those same outstanding bonds on the open market for cancellation.

- Item No. 31 – Debt Service Reserve to make next bond payments in the amount of \$368,967. Pursuant to HSC section 34171 (d) (1) (A), a reserve may be held when required by the bond indenture or when the next property tax allocation will be insufficient to pay all obligations due under the provisions of the bond for the next payment due in the following half of the calendar year. The Agency provided two cash flow scenarios to support an anticipated insufficient property tax allocation. Upon review of the cash flow analyses, Finance notes the Agency included Item No. 3 – Cooperative Agreement between the City and the former RDA, in the amount of \$720,101 – an item denied for RPTTF funding. With the elimination of the denied item, the Agency now longer has an anticipated insufficient property tax allocation that would meet the criteria necessary under HSC section 34171 (d) (1) (A). Therefore, this line item is not eligible for RPTTF funding.

Pursuant to HSC Section 34186 (a), successor agencies were required to report the estimated obligations and actual payments (prior period adjustments) associated with the January through June 2013 period. The amount of RPTTF approved in the table below includes the prior period adjustment that was self-reported by the Agency. HSC Section 34186 (a) also specifies that the prior period adjustments self-reported by successor agencies are subject to audit by the county auditor-controller (CAC) and the State Controller. Any proposed CAC adjustments were not received in time for inclusion in this letter. Therefore, the amount of RPTTF approved in the table below includes the prior period adjustment that was self-reported by the Agency.

Except for the items denied in whole or in part as enforceable obligations, Finance is not objecting to the remaining items listed on your ROPS 13-14B. If you disagree with the determination with respect to any of the items on your ROPS 13-14B, 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 \$603,248 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2014	
Total RPTTF requested for non-administrative obligations	1,628,552
Total RPTTF requested for administrative obligations	69,093
Total RPTTF requested for obligations	\$ 1,697,645
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Total RPTTF requested for non-administrative obligations	1,628,552
Denied Items	
Item No. 3	(720,101)
Item No. 31	(368,967)
	<hr/> (1,089,068)
Total RPTTF approved for non-administrative obligations	539,484
Total RPTTF approved for administrative obligations	69,093
Total RPTTF approved for obligations	608,577
ROPS III prior period adjustment	(5,329)
Total RPTTF approved for distribution	\$ 603,248

Pursuant to HSC section 34177 (l) (1) (E), agencies are required to use all available funding sources prior to RPTTF for payment of enforceable obligations. Beginning with the ROPS 13-14B period, Finance required successor agencies to identify fund balances for various types of funds in its possession. During our ROPS 13-14B review, Finance requested financial records to support the fund balances reported by the Agency; however, Finance was unable to reconcile the financial records to the amounts reported. As a result, Finance will continue to work with the Agency after the ROPS 13-14B review period to properly identify the Agency's fund balances. If it is determined the Agency possesses fund balances that are available to pay approved obligations, the Agency should request the use of these fund balances prior to requesting RPTTF in ROPS 14-15A.

Please refer to the ROPS 13-14B schedule that was used to calculate the approved RPTTF amount:

[http://www.dof.ca.gov/redevelopment/ROPS/ROPS 13-14B Forms by Successor Agency/](http://www.dof.ca.gov/redevelopment/ROPS/ROPS%2013-14B%20Forms%20by%20Successor%20Agency/).

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, 2014. This determination applies only 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 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 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 successor agency in the RPTTF.

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 Susana Medina Jackson, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Assistant Program Budget Manager

cc: Ms. Michelle Neeley, Accounting Manager, City of Galt
Mr. Carlos Valencia, Senior Accounting Manager, Sacramento County
California State Controller's Office