DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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December 17, 2014

Mr. Ken Zuidervaart, Planning Director
City of Ripon
259 North Wilma Avenue
Ripon, CA 95366

Dear Mr. Zuidervaart:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated October 28, 2014. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Ripon Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15B) to Finance on September 16, 2014, for the period of January through June 2015. Finance issued a ROPS determination letter on October 28, 2014. Subsequently, the Agency requested a Meet and Confer session on one or more of the items denied by Finance. The Meet and Confer session was held on November 10, 2014.

Based on a review of additional information and documentation provided to Finance during the Meet and Confer process, Finance has completed its review of the specific items being disputed.

- Item No. 9 – Bond Payment Reserve Fund in the amount of $139,143. During the Meet and Confer process, the Agency requested to retain an additional $879,803 in reserve funds to ensure sufficient funding will be available to make the debt service payments due in the June through December 2016 (ROPS 15-16A) period. Pursuant to HSC section 34183 (a) (2) (A), debt service payments have first priority for payment from distributed Redevelopment Property Tax Trust Fund (RPTTF) funding. Therefore, Finance is approving the increase in funding for Item No. 9 by $879,803 for a total of $1,018,946.

  The additional funds requested to be held in reserve should be transferred upon receipt to the bond trustee(s) along with the amounts approved for the other ROPS 14-15B debt service payments prior to making any other payments on approved ROPS items. Any requests to fund these reserves again in the ROPS 15-16A period will be denied unless insufficient RPTTF is received to satisfy both the debt service payments due during the ROPS 14-15B period and the reserve amounts requested in ROPS 14-15B for the ROPS 15-16A debt service payments.

In addition, per Finance's letter dated October 28, 2014, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should be used prior to requesting RPTTF. Pursuant to HSC section 34177 (l) (1) (E), RPTTF may be used as a funding source, but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation. The Agency provided financial records that displayed available Other Funds totaling $11,054.

Therefore, with the Agency's concurrence, the funding source for the following item has been reclassified to Other Funds and in the amount specified below:

- Item No. 1 – 2003 Tax Allocation Bonds in the amount of $11,054. The Agency requests $119,871 of RPTTF; however, Finance is reclassifying $11,054 to Other Funds. This item is an enforceable obligation for the ROPS 14-15B period. However, the obligation does not require payment from property tax revenues and the Agency has $11,054 in available Other Funds. Therefore, Finance is approving RPTTF in the amount of $108,817 and the use of Other Funds in the amount of $11,054, totaling $119,871.

The administrative costs claimed are within the fiscal year administrative cap pursuant to HSC section 34171 (b). However, Finance notes the oversight board 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 oversight board to exercise a fiduciary duty to the taxing entities. Therefore, Finance encourages the oversight board to apply adequate oversight when evaluating the administrative resources required to successfully wind-down the Agency.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 14-15B form the estimated obligations and actual payments (prior period adjustments) associated with the January through June 2014 period. The amount of RPTTF funding approved in the table below reflects the prior period adjustment self-reported by the Agency. HSC section 34186 (a) also specifies prior period adjustments self-reported by successor agencies are subject to audit by the county auditor-controller (CAC) and the State Controller. Proposed CAC adjustments were not received in time for inclusion in this letter; therefore, the amount of RPTTF approved in the table below only reflects the prior period adjustment self-reported by the Agency.

Except for the item that have been reclassified, Finance is not objecting to the remaining items listed on your ROPS 14-15B. The Agency's maximum approved RPTTF distribution for the reporting period is $1,165,783 as summarized in the Approved RPTTF Distribution Table on the following page:

Approved RPTTF Distribution For the period of January through June 2015		
Total RPTTF requested for non-administrative obligations		755,092
Total RPTTF requested for administrative obligations		250,000
Total RPTTF requested for obligations on ROPS	**$**	**1,005,092**
RPTTF adjustment to non-administrative obligations		879,803
Total RPTTF adjustments	**$**	**879,803**
Total RPTTF requested for non-administrative obligations		**1,634,895**
Cash Balances - Item reclassified to Other Funds		
Item No. 1		(11,054)
Total RPTTF authorized for non-administrative obligations	**$**	**1,623,841**
Total RPTTF requested for administrative obligations		**250,000**
Total RPTTF authorized for administrative obligations	**$**	**250,000**
Total RPTTF authorized for obligations	**$**	**1,873,841**
Total ROPS 13-14B PPA		(708,058)
Total RPTTF approved for distribution	**$**	**1,165,783**

Please refer to the ROPS 14-15B schedule that was used to calculate the approved RPTTF amount:

http://www.dof.ca.gov/redevelopment/ROPS

This is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2015. This determination only applies 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 section 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 the 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 agency in the RPTTF.

Pursuant to HSC section 34177 (a) (3), only those payments listed on an approved ROPS may be made by the successor agency from the funds specified in the ROPS. However, if for whatever reason the Agency needs to make payments for approved obligations from another funding source, HSC section 34177 (a) (4) requires the Agency to first obtain oversight board approval.

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 Evelyn Suess, Dispute Resolution Supervisor, or Mary Halterman, Analyst, at (916) 445-1546.

Sincerely,

JUSTYN HOWARD
Acting Program Budget Manager

cc: Mr. Kevin Werner, Deputy City Administrator, City of Ripon
Mr. Jay Wilverding, Auditor-Controller, San Joaquin County
California State Controller's Office