DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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October 31, 2014

Ms. Deborah Sultan, Finance Director
City of Sanger
1700 7th Street
Sanger, CA 93657

Dear Ms. Sultan:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Sanger Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15B) to the California Department of Finance (Finance) on September 19, 2014 for the period of January 1 through June 30, 2015. Finance has completed its review of your ROPS 14-15B, which may have included obtaining clarification for various items.

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

- Item No. 4 – Supplemental Educational Revenue Augmentation Fund Housing Fund Borrowing loan in the amount of $276,217 is partially approved
  HSC section 34191.4 (b) (2) (A) allows this repayment to be equal to one-half of the increase between the ROPS residual pass-through distributed to the taxing entities in that fiscal year and the ROPS residual pass-through distributed to the taxing entities in the fiscal year 2012-13 base year.

  According to the Fresno County Auditor-Controller's report, the amount distributed to the taxing entities for fiscal year 2012-13 and 2013-14 are $1 and $541,580, respectively. Therefore, pursuant to the repayment formula, the maximum repayment amount authorized for fiscal year 2014-15 is $270,790. Therefore, of the $276,217 requested for loan repayment, $5,427 of excess amount is not allowed.

During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should be used prior to requesting Redevelopment Property Tax Trust Fund. 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 Balances totaling $10,287.

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. 8 – Agency Employee Costs. The Agency requests $105,500 from RPTTF; however, Finance is reclassifying $10,287 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 $10,287 in available Other Funds. Therefore, Finance is approving RPTTF in the amount of $95,213 and the use of Other Funds in the amount of $10,287, totaling $105,500.

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 approved in the table below reflects the prior period adjustment self-reported by the Agency, as adjusted by Finance. 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 and the following adjustment made by Finance.

During the ROPS 13-14B period, the Agency received a distribution of $118,674, plus a prior period adjustment of $54,165, totaling $172,839. Of the authorized amount, the Agency spent $112,879; therefore, RPTTF in the amount of $59,960 was left unspent as of June 30, 2014. This has increased the Agency's prior period adjustment amount from zero to $59,960.

Except for the item denied in whole or in part or for the item that has been reclassified, Finance is not objecting to the remaining items listed on your ROPS 14-15B. If you disagree with the determination with respect to any items on your ROPS 14-15B, 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 $431,923 as summarized in the Approved RPTTF Distribution Table below:

Approved RPTTF Distribution For the period of January through June 2015		
Total RPTTF requested for non-administrative obligations		384,097
Total RPTTF requested for administrative obligations		123,500
Total RPTTF requested for obligations on ROPS	**$**	**507,597**
Total RPTTF requested for non-administrative obligations		**384,097**
Denied Item		
Item No. 4		(5,427)
Total RPTTF authorized for non-administrative obligations	**$**	**378,670**
Total RPTTF requested for administrative obligations		**123,500**
Reclassified Item		
Item No. 8		(10,287)
Total RPTTF authorized for administrative obligations	**$**	**113,213**
Total RPTTF authorized for obligations	**$**	**491,883**
Self-reported ROPS 13-14B prior period adjustment (PPA)		0
Finance adjustment to ROPS 13-14B PPA		(59,960)
Total ROPS 13-14B PPA		(59,960)
Total RPTTF approved for distribution	**$**	**431,923**

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

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

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, 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 Nichelle Thomas, Supervisor or Alexander Watt, Lead Analyst at (916) 445-1546.

Sincerely,

JUSTYN HOWARD
Acting Program Budget Manager

cc: Mr. Brian Haddix, City Manager, City of Sanger
Mr. George Gomez, Accounting Financial Manager, Fresno County
California State Controller's Office