DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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May 15, 2015

Mr. Brian Cochran, Finance Manager
City of Novato
922 Machin Ave
Novato, CA 94945

Dear Mr. Cochran:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 13, 2015. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Novato Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 15-16A) to Finance on March 2, 2015, for the period of July through December 2015. Finance issued a ROPS determination letter on April 13, 2015. Subsequently, the Agency requested a Meet and Confer session on one or more of the determinations made by Finance. The Meet and Confer session was held on April 27, 2015.

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 determinations being disputed.

- Item No. 9 – Amended Reimbursement Agreement in the amount of $1,346,915. Finance initially denied this item because it was our understanding the Agency repaid the original Reimbursement and Operating Agreement with the City of Novato (City) on February 1, 2015, and the Agency did not experience a Redevelopment Property Tax Trust Fund (RPTTF) shortfall in the January through June 2015 period (ROPS 14-15B).

  During the Meet and Confer process, the Agency provided a summary of the Agency's revenue and expenditure history. However, based on this information, the Agency appears to be claiming a shortfall prior to dissolution, not related to any of the ROPS periods. Any expenditure made prior to dissolution should have been paid for from the Agency's reserve funds and such expenditures would have been accounted for in the beginning balance of the Other Funds and Accounts (OFA) Due Diligence Review (DDR). Since the Agency had funds available for remittance on the OFA DDR, then there should not have been any shortfalls in funding prior to June 30, 2012. Therefore, this line item is not an enforceable obligation and is not eligible for RPTTF funding.

  Review of ROPS 15-16A included the Agency's Oversight Board (OB) Resolution No.3-15. The OB Resolution, approving an amended amortization schedule to the Reimbursement and Operating Agreement by and between the City and the Agency, is

not approved. It is our understanding that the Agency fully paid the exiting loan and did not experience additional shortfall to amend the loan. As authorized by HSC section 34179 (h), Finance is returning the OB action to the board for reconsideration.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 15-16A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2014 period. 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 Redevelopment Property Tax Trust Fund (RPTTF) approved in the table below only reflects the prior period adjustment self-reported by the Agency.

Except for the item denied in whole or in part, Finance is not objecting to the remaining items listed on your ROPS 15-16A. The Agency's maximum approved RPTTF distribution for the reporting period is $1,714,241 as summarized in the Approved RPTTF Distribution table below:

Approved RPTTF Distribution For the period of July through December 2015		
Total RPTTF requested for non-administrative obligations		2,377,551
Total RPTTF requested for administrative obligations		45,530
Total RPTTF requested for obligations on ROPS	**$**	**2,423,081**
Total RPTTF requested for non-administrative obligations		**2,377,551**
Denied Item		
Item No. 9		(450,000)
		(450,000)
Total RPTTF authorized for non-administrative obligations	**$**	**1,927,551**
Total RPTTF requested for administrative obligations		**45,530**
Total RPTTF authorized for administrative obligations	**$**	**45,530**
		1,973,081
Total RPTTF authorized for obligations	**$**	**1,973,081**
ROPS 14-15A prior period adjustment		(258,840)
Total RPTTF approved for distribution	**$**	**1,714,241**

Please refer to the ROPS 15-16A 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 July 1 through December 31, 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 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) 445-3274.

Sincerely,

JUSTYN HOWARD
Program Budget Manager

cc: Ms. Cathy Capriola, Assistant City Manager, City of Novato
Mr. Roy Given, Director of Finance, Marin County
California State Controller's Office