



November 13, 2015

Mr. David Loya, Community Development Deputy Director
City of Arcata
736 F Street
Arcata, CA 95221

Dear Mr. Loya:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m) (1) (A), the City of Arcata Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule for the period January 1 through June 30, 2016 (ROPS 15-16B) to the California Department of Finance (Finance) on September 30, 2015. Finance has completed its review of the ROPS 15-16B.

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

- Item No. 17 – City of Arcata 2010/11 loan repayment in the amount of \$28,273 is not allowed. The Agency received a Finding of Completion on September 10, 2015. As such, the Agency may place loan agreements between the former redevelopment agency and sponsoring entity on the ROPS, as an enforceable obligation, provided the oversight board makes a finding the loan was for legitimate redevelopment purposes per HSC section 34191.4 (b) (1).

Additionally, HSC section 34191.4 (b) (3) (A) specifies 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 County Auditor-Controller's report, the ROPS residual pass-through amount distributed to the taxing entities for fiscal year 2012-13 and fiscal 2014-15 are \$4,199 and 1,125,954, respectively. Therefore, pursuant to the repayment formula outlined in HSC section 34191.4 (b) (3) (A), the maximum repayment amount authorized for fiscal year 2015-16 is \$562,977. Therefore, of the \$591,250 requested, \$28,273 of excess loan repayment is not eligible for Redevelopment Property Tax Trust Fund Funding (RPTTF) funding on this ROPS. The Agency may be eligible for additional funding beginning ROPS 16-17.

- Item No. 28 – City of Arcata 2011-12 loan repayment in the amount of \$465,404 is not allowed. Pursuant to HSC section 34191.4 (b), loan agreements between the former

redevelopment agency and sponsoring entity may be placed on the ROPS if the following requirements are met: (1) the Agency has received a Finding of Completion; and (2) the Agency's oversight board approves the loan as an enforceable obligation by finding the loan was for legitimate redevelopment purposes.

The Agency received a Finding of Completion on September 10, 2015. However, the Oversight Board Resolution No. 2015/16-04, approving a loan from 2011-2012 fiscal year from the City to the former redevelopment agency and finding the loan was for legitimate redevelopment purposes, was denied by Finance. The Agency was unable to provide accounting records to support that the loan is still outstanding. As such, this item is not an enforceable obligation and is not eligible for RPTTF funding.

Pursuant to HSC section 34186 (a) (1), the Agency was required to report on the ROPS 15-16B form the estimated obligations versus actual payments (prior period adjustment) associated with the January through June 2015 period (ROPS 14-15B). HSC section 34186 (a) (1) also specifies the prior period adjustment self-reported by the Agency is subject to review by the county auditor-controller (CAC). Proposed CAC adjustments were not received in time for inclusion in this letter; therefore, the amount of Redevelopment Property Tax Trust Fund Funding (RPTTF) approved in the table below includes the prior period adjustment resulting from Finance's review of the Agency's self-reported prior period adjustment (PPA). Finance made adjustments to the PPA form to correct Agency reported available amounts for RPTTF as follows:

Finance corrected the Agency's reported total available RPTTF amount from \$944,123 to \$1,539,715 for the ROPS 14-15B period. Therefore, with the Agency's concurrence, the self-reported PPA of \$0 has been increased to \$595,592 (\$1,539,715 - \$944,123) and will to be applied to the ROPS 15-16B RPTTF distribution.

Except for the items denied in whole or in part, Finance is not objecting to the remaining items listed on your ROPS 15-16B. If you disagree with Finance's determination with respect to any items on your ROPS 15-16B, except for those items which are the subject of litigation disputing Finance's previous or related determinations, 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 \$378,286 as summarized in the Approved RPTTF Distribution table below:

Approved RPTTF Distribution	
For the period of January through June 2016	
Total RPTTF requested for non-administrative obligations	1,342,555
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations on ROPS 15-16B	\$ 1,467,555
Total RPTTF requested for non-administrative obligations	1,342,555
<u>Denied Items</u>	
Item No. 17	(28,273)
Item No. 28	(465,404)
	(493,677)
Total RPTTF authorized for non-administrative obligations	\$ 848,878
Total RPTTF requested for administrative obligations	125,000
Total RPTTF authorized for administrative obligations	\$ 125,000
Total RPTTF authorized for obligations	\$ 973,878
Self-reported ROPS 14-15B prior period adjustment (PPA)	0
Finance adjustment to ROPS 14-15B PPA	(595,592)
Total ROPS 14-15B PPA	(595,592)
Total RPTTF approved for distribution	\$ 378,286

On the ROPS 15-16B form, the Agency reported cash balances and activity for the period January 1 through December 31, 2015. Finance will perform a review of the Agency's self-reported cash balances on an ongoing basis. Please be prepared to submit financial records and bridging documents to support the cash balances reported upon request. If it is determined the Agency possesses cash balances that are available to pay approved obligations, HSC section 34177 (I) (1) (E) requires these balances be used prior to requesting RPTTF.

Please refer to the ROPS 15-16B schedule used to calculate the total RPTTF approved for distribution:

<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, 2016. This determination only applies to items when 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 ROPS periods. All items listed on a future ROPS are subject to review and may be denied even if it was not denied on this ROPS or a preceding ROPS. The only exception is for items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). Finance's review of Final and Conclusive items 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 available prior to the enactment of the redevelopment dissolution statutes. 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.

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Please direct inquiries to Cindie Lor, Supervisor, or Todd Vermillion, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Program Budget Manager

cc: Ms. Janet Luzzi, Finance Director, City of Arcata
Mr. Joe Mellett, Auditor-Controller, Humboldt County