

November 9, 2015

Ms. Maribel Reyna, City Manager
City of Delano
1015 11th Avenue
P. O. Box 3010
Delano, CA 93216

Dear Ms. Reyna:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m) (1) (A), the City of Delano 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 sample of line items reviewed and application of the law, Finance made the following determinations:

- Item No. 3 – 2010A Lease Revenue Bonds Reimbursement Agreement in the amount of \$751,543 is partially allowed. Although total Redevelopment Property Tax Trust Fund (RPTTF) requested is \$751,543, only \$541,582 of interest is due during the ROPS 15-16B period and it is our understanding, the additional funding was requested in error. Therefore, with Agency's consent the excess \$208,961 is not allowed at this time.
- Item No.12 - Administrative cost in the amount of \$375,000. It is our understanding that the requested amount includes \$125,000 of administrative RPTTF shortfall from the ROPS 14-15A distribution. As such, this amount is being reclassified to non-administrative RPTTF, therefore allowing only \$250,000 in administrative RPTTF for fiscal year 2015-16.

While we are approving the ROPS 14-15A administrative cost shortfall request as well as the fully allotted administrative costs allowed by HSC section 34171 (b) (2) for fiscal year 2015-16, 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 use adequate discretion when evaluating the administrative resources required to successfully wind-down the Agency.

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 RPTTF approved in the table below only reflects the Agency's self-reported prior period adjustment.

Except for the items denied 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 \$2,191,570 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	2,025,531
Total RPTTF requested for administrative obligations	375,000
Total RPTTF requested for obligations on ROPS 15-16B	\$ 2,400,531
Total RPTTF requested for non-administrative obligations	2,025,531
<u>Denied Item</u>	
Item No. 3	(208,961)
<u>Reclassified Item</u>	
Item No. 12	125,000
	(83,961)
Total RPTTF authorized for non-administrative obligations	\$ 1,941,570
Total RPTTF requested for administrative obligations	375,000
<u>Reclassified Item</u>	
Item No. 12	(125,000)
Total RPTTF authorized for administrative obligations	\$ 250,000
Total RPTTF authorized for obligations	\$ 2,191,570
ROPS 14-15B prior period adjustment	0
Total RPTTF approved for distribution	\$ 2,191,570

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 (l) (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.

Please direct inquiries to Kylie Oltmann, Supervisor, or Nicole Prisakar, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Program Budget Manager

cc: Ms. Rosa Rios, Finance Director, City of Delano
Ms. Mary B. Bedard, Auditor-Controller, Kern County