DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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November 3, 2015

Mr. Victor Damiani, Acting Finance Director
City of Fort Bragg
416 North Franklin Street
Fort Bragg, CA 95437

Dear Mr. Damiani:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m) (1) (A), the City of Fort Bragg 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 23, 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. 3 – State Coastal Conservancy Repayable Grant/Loan in the amount of $15,298 is not allowed. This item was originally authorized by Finance during ROPS 14-15A; however, it was not paid during that period, and the Agency did not receive their full distribution. In addition, the Agency is requesting funding for the shortfall on this ROPS, as Item No. 24, which includes this item. Therefore, with the Agency's consent, this item is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.

- Item No. 4 – Low and Moderate Income Housing Fund (LMIHF) loan repayment for purposes of the Supplemental Educational Revenue Augmentation Fund in the amount of $38,314 is not allowed.

  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 Mendocino County Auditor-Controller's (CAC) report, the amount distributed to the taxing entities for fiscal year 2012-13 and 2014-15 are $0 and $0, respectively. Therefore, pursuant to the repayment formula, the maximum repayment amount authorized for fiscal year 2015-16 is $0. Therefore, this item is not eligible for RPTTF funding on this ROPS. The Agnecy may be eligible for funding on future ROPS.

- Item No. 18 – Staffing Costs and Administration in the amount of $145,053 is partially allowed. The Agency requests $125,000 for the administrative cost allowance (ACA) for the ROPS 15-16B period as well as $20,053 for a shortfall in tax increment for the ACA in ROPS 15-16A. However, according to information provided by the CAC, the Agency received their full distribution, and there is no shortfall for the 15-16A ROPS period. Therefore, of the $145,053 requested, $20,053 is not eligible for funding on this ROPS.

- Item No. 24 – 14-15A ROPS Shortfall in the amount of $138,474 is partially allowed. The Agency requested funding for the ROPS 14-15A shortfall, however, it is our understanding the Agency used Other Funds in the amount of $7,794 to pay some of the obligations. Therefore, of the $138,474 requested, only $130,680 ($138,474 - $7,794) is eligible for funding on this ROPS.

- The administrative costs claimed are within the fiscal year administrative cap pursuant to HSC section 34171 (b) (2). However, Finance notes the oversight board has approved an amount that appears excessive, given the number and nature of the other obligations listed in 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) (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 (RPTTF) approved in the table below only reflects the Agency's self-reported prior period adjustment.

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 $172,967 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		339,124
Total RPTTF requested for administrative obligations		145,053
Total RPTTF requested for obligations on ROPS 15-16B	**$**	**484,177**
Total RPTTF requested for non-administrative obligations		**339,124**
Denied Items		
Item No. 3		(15,298)
Item No. 4		(38,314)
Item No. 24		(7,794)
		(61,406)
Total RPTTF authorized for non-administrative obligations	**$**	**277,718**
Total RPTTF requested for administrative obligations		**145,053**
Denied Items		
Item No. 18		(20,053)
Total RPTTF authorized for administrative obligations	**$**	**125,000**
Total RPTTF authorized for obligations	**$**	**402,718**
ROPS 14-15B prior period adjustment		(229,751)
Total RPTTF approved for distribution	**$**	**172,967**

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 Nichelle Thomas, Supervisor, or Michael Barr, Lead Analyst at (916) 445-1546.

Sincerely,

JUSTYN HOWARD
Program Budget Manager

cc: Ms. Linda Ruffing, City Manager, City of Fort Bragg
Ms. Lucy Simonson, Assistant Auditor-Controller, Mendocino County