

November 17, 2015

Mr. Rene L. Mendez, City Manager
City of Gonzales
P. O. Box 647
Gonzales, CA 93926

Dear Mr. Mendez:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m) (1) (A), the City of Gonzales 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 October 5, 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. 4 – Reimbursement and Loan Agreements with the City of Gonzales (City) in the total outstanding amount of \$1,160,792. The Agency requests \$100,000 for the six-month period. This item was previously denied in ROPS 14-15A Meet and Confer and Finance continues to deny this item. Pursuant to HSC section 34191.4 (b), loan agreements between the former redevelopment agency (RDA) and its 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 (OB) approves the loan as an enforceable obligation by finding the loan was for legitimate redevelopment purposes.

The Agency received a Finding of Completion on June 4, 2013. However, OB Resolution No. 2012-01, approving the Reimbursement Agreement between the City and the former (RDA) dated June 1, 2011 and the Loan Agreement between the City and the RDA dated June 1, 2011, does not specifically make a finding the loan was for a legitimate redevelopment purposes. As such, this item is not eligible for funding. Once the OB approves the loan as an enforceable obligation by finding the loan was for legitimate redevelopment purposes and the corresponding OB action is approved by Finance, the Agency may be able to request funding for this item on future ROPS.

- Item No. 20 – Loan from City of Gonzales in the amount of \$278,316 is not allowed. The Agency requests \$156,959 from Redevelopment Property Tax Trust Fund (RPTTF) and \$121,357 from Other Funds for the six-month period. The Agency received a Finding of Completion on June 4, 2013. As such, the Agency may place loan agreements between the former redevelopment agency and sponsoring entity on the ROPS, provided the OB

makes the appropriate findings and the action is approved by Finance. Finance approved OB Resolution No. 2015-01 on March 20, 2015. However, 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 2014-15 are \$0 and \$140,333, respectively. 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 \$70,167. Finance approved the requested maximum repayment amount for Item No. 10 – Supplemental Educational Revenue Augmentation Fund loan; therefore, the requested \$278,316 of excess loan repayment is not eligible for funding on this ROPS. The Agency may be eligible for additional funding in a subsequent fiscal year.

In addition, the \$121,357 requested from Other Funds is now available and has been applied to Item No. 21 below.

- Item No. 22 – ROPS 15-16A Shortfall in the amount of \$366,415 is partially approved. It is our understanding this amount includes a duplicate request for Item No. 10 in the amount of \$70,167 and Item No. 19, in the amount of \$191,310, totaling \$261,477. To eliminate double counting, Finance is reducing the shortfall request by \$261,477. As such, only \$104,938 (\$366,415-\$261,477) is eligible for RPTTF funding for this item.

In addition, the Agency has requested to make adjustments totaling \$251,436 in RPTTF for the six-month amounts as follows:

- Item No. 1 – Reduce by \$79,732, from \$183,965 to \$104,233
- Item No. 2 – Reduce \$61,400 to zero
- Item No. 3 – Reduce by \$1,400, from \$149,785 to \$148,385
- Item No. 21 – Increase by \$393,968, from \$1,076,697 to \$1,470,665. As discussed above for Item No. 20, Finance is approving \$121,357 of Other Funds and RPTTF in the amount of \$1,349,308, totaling \$1,470,665.

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 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 and actual amounts for RPTTF as follows:

Based on a review of the Agency's ROPS 14-15B prior period adjustment worksheet, the Agency under reported RPTTF expenditures for non-administrative obligations in the amount of \$3,650 for Item No. 6 and \$148,766 for Item No. 10. The Agency confirmed the ROPS 14-15B expenditures of \$1,650 for Item No. 6 and \$148,766 for Item No. 10. Therefore, with the Agency's concurrence, the Agency's self-reported PPA amounts were increased by \$2,000.

Except for the items denied in whole or in part or the item that has been reclassified, 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 \$1,874,336 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	2,170,388
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations on ROPS 15-16B	\$ 2,295,388
RPTTF adjustment to non-administrative obligations	251,436
Total RPTTF requested for non-administrative obligations	2,421,824
<u>Denied Items</u>	
Item No. 4	(100,000)
Item No. 20	(156,959)
Item No. 22	(261,477)
	(518,436)
<u>Reclassified Item</u>	
Item No. 21	(121,357)
Total RPTTF authorized for non-administrative obligations	\$ 1,782,031
Total RPTTF authorized for administrative obligations	\$ 125,000
Total RPTTF authorized for obligations	\$ 1,907,031
Self-reported ROPS 14-15B prior period adjustment (PPA)	(30,695)
Finance adjustment to ROPS 14-15B PPA	(2,000)
Total ROPS 14-15B PPA	(32,695)
Total RPTTF approved for distribution	\$ 1,874,336

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.

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

Sincerely,



JUSTYN HOWARD
Program Budget Manager

cc: Mr. Thomas Truskowski, Community Development Director, City of Gonzales
Ms. Julie Aguero, Auditor Controller Analyst II, Monterey County