



December 17, 2015

Mr. Dat Nguyen, Assistant Director of Finance
City of Morgan Hill
17575 Peak Avenue
Morgan Hill, CA 95037

Dear Mr. Nguyen:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated October 23, 2015. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Morgan Hill Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 15-16B) to Finance on September 9, 2015, for the period of January 1 through June 30, 2016. Finance issued a ROPS determination letter on October 23, 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 November 10, 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. 109 – Economic analysis associated with the disposal of Site 6 of the Long-Range Property Management Plan (LRPMP) in the amount of \$10,000. Finance continues to deny this item. Finance approved the Agency's LRPMP on March 21, 2014 and according to the approved LRPMP, Site 6 will be sold. The Agency claims this item is necessary should the need arise during ROPS 15-16B to perform an economic analysis for the potential buyer of Site 6. Pursuant to Health and Safety Code (HSC) section 34177.3 (b), the Agency may not create enforceable obligations except to conduct the work of winding down the redevelopment agency. During the Meet and Confer, the Agency did not provide sufficient support to demonstrate these costs are pursuant to an existing enforceable obligation or required to sell the property. Therefore, the request for \$10,000 of Redevelopment Property Tax Trust Fund (RPTTF) is not allowed.

In addition, per Finance's letter dated October 23, 2015, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

- Item No. 164 – Butterfield Boulevard Phase V in the amount of \$4,157 in Bond Proceeds is not an enforceable obligation. The Agency could not provide Finance with the requested executed contracts nor any other documentation to support the amount

claimed. The Agency indicated this was for land acquisition costs incurred during the ROPS 13-14B period; however, the costs do not relate to any of the existing ROPS obligations.

No additional information could be provided supporting the source of the obligation. Therefore, this item is not an enforceable obligation and is not eligible for Bond Proceeds funding on this ROPS. If the Agency is able to provide documentation supporting the need for the amounts requested, this item may be eligible for funding on future ROPS.

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 on the next page only reflects the Agency's self-reported prior period adjustment.

In addition, Finance noted on the Agency's ROPS 14-15B prior period adjustment worksheet, for Item No. 130 the Agency's expenditures exceeded Finance's authorization for Other Funds by \$21,320. Per HSC section 34177 (a) (3), only those payments listed on a ROPS may be made by the Agency from the funds specified on the ROPS up to the amount authorized by Finance. HSC sections 34177 (a) (4) and 34173 (h) (1) provide mechanisms when Agency payments must exceed the amounts authorized by Finance. Please ensure the proper expenditure authority is received from your oversight board and Finance prior to making payments on enforceable obligations.

Except for the item denied in whole, Finance is not objecting to the remaining items listed on your ROPS 15-16B. The Agency's maximum approved RPTTF distribution for the reporting period is \$8,132,572 as summarized in the Approved RPTTF Distribution table on the following page:

Approved RPTTF Distribution	
For the period of January through June 2016	
Total RPTTF requested for non-administrative obligations	8,233,803
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations on ROPS 15-16B	\$ 8,358,803
Total RPTTF requested for non-administrative obligations	8,233,803
<u>Denied Item</u>	
Item No. 52	(10,000)
Total RPTTF authorized for non-administrative obligations	\$ 8,223,803
Total RPTTF authorized for administrative obligations	\$ 125,000
Total RPTTF authorized for obligations	\$ 8,348,803
ROPS 14-15B prior period adjustment	(216,231)
Total RPTTF approved for distribution	\$ 8,132,572

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>

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 Evelyn Sues, Dispute Resolution Supervisor, or Danielle Brandon, Analyst, at (916) 445-3274.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Justyn Howard', is written over the word 'Sincerely,'.

JUSTYN HOWARD
Program Budget Manager

cc: Ms. Monica C. Delgado, Budget Manager, City of Morgan Hill
Ms. Emily Harrison, Finance Agency Director, Santa Clara County