

October 22, 2015

Mr. Ken Zuidervaart, Planning Director
City of Ripon
259 North Wilma Avenue
Ripon, CA 95366

Dear Mr. Zuidervaart:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m) (1) (A), the City of Ripon 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 17, 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. 9 – Bond Payment Reserve funded from Redevelopment Property Tax Trust Fund (RPTTF) funding in the amount of \$95,000 is approved. However, Finance notes the \$95,000 is to be used for ROPS 16-17 debt service for the Agency's 2007 Bonds.

Pursuant to HSC section 34183 (a) (2) (A), debt service obligations have first priority for payment from distributed RPTTF funding. As such, the \$95,000 of RPTTF authorized to be held in reserve, along with the amounts required for the current ROPS period, should be transferred upon receipt to the bond trustee. RPTTF funding approved for debt service obligations is restricted for that purpose and is not authorized to be used for other ROPS items. Any requests to fund the \$95,000 again from RPTTF will not be approved unless insufficient RPTTF was received to satisfy the approved debt service.

- Item No. 16 – RPTTF shortfall in the amount of \$497,923 is partially approved. Although the Agency requests RPTTF funding in the amount of \$497,923, only \$435,125 can be substantiated at this time.

For the ROPS 13-14A period, Finance authorized a distribution from the RPTTF of \$1,479,717. The San Joaquin County Auditor-Controller (CAC) was only able to distribute \$1,114,198. Therefore, the Agency had a ROPS 13-14A RPTTF shortfall of \$365,519 (\$1,479,717 - \$1,114,198).

For the ROPS 14-15A period, Finance authorized a distribution from the RPTTF of \$1,359,686. The CAC was only able to distribute \$1,290,080. Therefore, the Agency had a ROPS 14-15A shortfall of \$69,606 (\$1,359,686 - \$1,290,080).

As the ROPS 13-14A and ROPS 14-15A shortfalls have yet to be funded, Finance is authorizing RPTTF to cover the shortfalls totaling \$435,125 (\$365,519 + \$69,606). However, Finance was unable to verify the remaining shortfall request of \$62,798 (\$497,923 - \$435,125). Therefore, \$62,798 is not eligible for RPTTF funding at this time.

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 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 CAC. Proposed CAC adjustments were not received in time for inclusion in this letter; therefore, the amount of RPTTF approved in the table on the following page only reflects the Agency's self-reported prior period adjustment.

Except for the item 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 \$1,253,574 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	1,194,122
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations on ROPS 15-16B	\$ 1,319,122
Total RPTTF requested for non-administrative obligations	1,194,122
<u>Denied Item</u>	
Item No. 16	(62,798)
Total RPTTF authorized for non-administrative obligations	\$ 1,131,324
Total RPTTF requested for administrative obligations	125,000
Total RPTTF authorized for administrative obligations	\$ 125,000
Total RPTTF authorized for obligations	\$ 1,256,324
ROPS 14-15B prior period adjustment	(2,750)
Total RPTTF approved for distribution	\$ 1,253,574

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.

Mr. Ken Zuidervaart
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Please direct inquiries to Wendy Griffe, Supervisor, or Jonathan Cox, Lead Analyst, at
(916) 445-1546.

Sincerely,



JUSTYN HOWARD
Program Budget Manager

cc: Mr. Kevin Werner, Deputy City Administrator, City of Ripon
Mr. Jay Wilverding, Auditor-Controller, San Joaquin County