



December 17, 2015

Mr. Micah Runner, Economic Development Director
City of Stockton
425 North El Dorado Street, Room 317
Stockton, CA 95202

Dear Mr. Runner:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated November 5, 2015. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Stockton Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 15-16B) to Finance on September 23, 2015, for the period of January 1 through June 30, 2016. Finance issued a ROPS determination letter on November 5, 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 12, 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 Nos. 44 and 45 – Supplemental Educational Revenue Augmentation Fund (SERAF) with outstanding balance of \$1,888,752 is approved. However, the maximum allowable payment for ROPS 15-16B is \$0 pursuant to HSC section 34191.4 (b) (2) (A).

Based on our review, the Agency submitted OB resolution 2015-11-04-0601-01 approving the SERAF loan on November 4, 2015. Finance did not initiate review of the OB action. However, HSC section 34191.4 (b) (2) (A) only 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. According to the County Auditor-Controller's reports, 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, the \$1,178,086 requested for LMIHF loan repayment is not allowed at this time.

In addition, per Finance's letter dated November 5, 2015, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

- Item No. 34 – Wallace Kuhl & Associates costs from Redevelopment Property Tax Trust Fund (RPTTF) funding in the amount of \$24,528 is partially allowed. The Agency's ROPS 15-16B request pertains to an open purchase order for environmental services costs related to the Agency's Long-Range Property Management Plan (LRPMP) Property No. 2 (Children's Museum) in the amount of \$640 per year, and Property No. 13 (Waterfront Office Towers - Parking Lot) in the amount of 320 per year.

Pursuant to HSC 34191.3 (a), it is anticipated the Agency's LRPMP will be approved by Finance by December 31, 2015. ROPS 15-16B covers the period of January through June 2016, after the December 31, 2015 deadline. It is our understanding the Agency will transfer the Children's Museum to the City of Stockton as governmental use; therefore, the costs pertaining to the Children's Museum will no longer be the Agency's responsibility.

Although the Agency requests RPTTF funding in the amount of \$24,528, only \$160 (\$320 per year / 2) can be approved at this time for the Waterfront Office Towers – Parking Lot. Therefore, \$24,368 is not eligible for RPTTF funding.

- The Agency requested an incorrect funding source for Item No. 59, Administration and Operating costs of the Successor Agency. The Agency originally requested \$250,000 to be funded from RPTTF Non-Admin. Finance reclassified this item to RPTTF Admin.
- Claimed administrative costs exceed the allowance by \$23,561. HSC section (b) (2) limits the fiscal year 2015-16 administrative expenses to three percent of the RPTTF allocated or \$250,000, whichever is greater. The San Joaquin Auditor-Controller (CAC) distributed \$125,000 in administrative costs for the July through December 2015 period, thus leaving a balance of \$226,439 available for the January through June 2016 period. Although \$250,000 claimed for administrative cost, only \$226,439 is available pursuant to the cap. Therefore, \$23,561 of excess administrative cost is not allowed.

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 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, the Agency's expenditures exceeded Finance's authorization for Item No. 51 by \$75,002 and Item No. 59 by \$17,750. 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 OB and Finance prior to making payments on enforceable obligations.

Except for the items denied in whole or in part, 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 \$8,573,936 as summarized in the Approved RPTTF Distribution table on the next page.

Approved RPTTF Distribution For the period of January through June 2016	
Total RPTTF requested for non-administrative obligations	9,902,368
Total RPTTF requested for administrative obligations	0
Total RPTTF requested for obligations on ROPS 15-16B	\$ 9,902,368
RPTTF adjustment to non-administrative obligations	(250,000)
RPTTF adjustment to administrative obligations	250,000
Total RPTTF adjustments	\$ 0
Total RPTTF requested for non-administrative obligations	9,652,368
<u>Denied Items:</u>	
Item No. 34	(24,368)
Item No. 44	(589,043)
Item No. 45	(589,043)
	(1,202,454)
Total RPTTF authorized for non-administrative obligations	\$ 8,449,914
Total RPTTF requested for administrative obligations	250,000
Administrative costs in excess of the cap (see Admin Cost Cap table below)	(23,561)
Total RPTTF authorized for administrative obligations	\$ 226,439
Total RPTTF authorized for obligations	\$ 8,676,353
ROPS 14-15B prior period adjustment	(102,417)
Total RPTTF approved for distribution	\$ 8,573,936

Administrative Cost Cap Calculation	
Total RPTTF for 15-16A (July through December 2015)	3,264,704
Total RPTTF for 15-16B (January through June 2016)	8,449,914
Total RPTTF for fiscal year 2015-2016	11,714,618
Administrative cost cap for fiscal year 2015-16 (Greater of 3% of Total RPTTF or \$250,000)	351,439
Administrative allowance for ROPS 15-16A (July through December 2015)	125,000
Remaining administrative cost cap for ROPS 15-16B	226,439

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.

Please direct inquiries to Evelyn Suess, Dispute Resolution Supervisor, or Danielle Brandon, Analyst, at (916) 445-3274.

Sincerely,



JUSTYN HOWARD
Program Budget Manager

cc: Ms. LaVerna Blanco, Program Manager II, City of Stockton
Mr. Jay Wilverding, Auditor-Controller, San Joaquin County