



November 12, 2015

Mr. Ron Millard, Interim Finance Director
City of Vallejo
555 Santa Clara Street
Vallejo, CA 94590

Dear Mr. Millard:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m) (1) (A), the City of Vallejo 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 28, 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. 1 – North Vallejo Community Center in the amount of \$1,755,100 is partially approved. During the review process, the Agency submitted Oversight Board (OB) Resolution No. 15-005 amending a 2002 Grant Agreement (2002 Agreement) between the former Vallejo Redevelopment Agency and the Greater Vallejo Recreation District (GVRD). The proposed amendment reduced the grant amount to \$1,250,000 and extended the grant period. Finance objected to this action in our November 9, 2015 OB Resolution No. 15-005 determination letter.

While Finance concluded the amendment was not authorized in statute, it is our understanding the 2002 Agreement does not terminate unless the Agency takes action by providing a notice of default to GVRD and giving GVRD the opportunity to cure the default. Finance's OB Resolution No. 15-005 determination letter notified the Agency's OB to consider whether terminating the 2002 Agreement would be in the best interest of the taxing entities since the agreement is over 13 years old and little has been accomplished. However, until the 2002 Agreement officially terminates, Finance believes this item constitutes an enforceable obligation eligible for funding on the ROPS.

As evidenced by the Agency's submittal of OB Resolution No. 15-005, only \$1,250,000 is needed under the 2002 Agreement. Therefore, the amount of \$505,100 (\$1,755,000 - 1,250,000) is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.

- Item No. 43 – Housing Administration in the amount of \$64,700 requested for ROPS 15-16B and total outstanding amount of \$300,000 is denied. Pursuant to HSC section

34171 (p), the housing successor administrative cost allowance is applicable only in cases where the city, county, or city and county that authorized the creation of the redevelopment agency (RDA) elected to not assume the housing functions and that the housing functions were transferred to a local housing authority in the territorial jurisdiction of the RDA. Here, however, the City of Vallejo (City) elected to be the housing successor to the RDA and retained the housing assets by submitting the housing asset transfer form to Finance on July 31, 2012. Therefore, the City is not eligible for the housing successor administrative costs allowance.

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). The amount of RPTTF approved in the table below includes the prior period adjustment resulting from the CAC's review of 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 \$1,890,017 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	2,339,023
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations on ROPS 15-16B	\$ 2,464,023
Total RPTTF requested for non-administrative obligations	2,339,023
<u>Denied Items</u>	
Item No. 1	(505,100)
Item No. 43	(64,700)
	(569,800)
Total RPTTF authorized for non-administrative obligations	\$ 1,769,223
Total RPTTF requested for administrative obligations	125,000
Total RPTTF authorized for administrative obligations	\$ 125,000
Total RPTTF authorized for obligations	\$ 1,894,223
ROPS 14-15B prior period adjustment	(4,206)
Total RPTTF approved for distribution	\$ 1,890,017

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 Wendy Griffe, Supervisor, or Jared Smith, Lead Analyst, at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Program Budget Manager

cc: Ms. Kathleen Diohep, Economic Development Manager, City of Vallejo
Ms. Rosemary Bettencourt, Deputy Auditor-Controller, Solano County