

April 11, 2016

Mr. Kevin Mizuno, Finance Manager
City of Clayton
6000 Heritage Trail
Clayton, CA 94517

Dear Mr. Mizuno:

Subject: 2016-17 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Clayton Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule for the period July 1, 2016 through June 30, 2017 (ROPS 16-17) to the California Department of Finance (Finance) on January 29, 2016. Finance has completed its review of the ROPS 16-17.

Based on a sample of line items reviewed and application of the law, Finance made the following determinations:

- Item No. 3 – Supplemental Educational Revenue Augmentation Fund loan repayment in the total outstanding amount of \$592,412 is not allowed. HSC section 34191.4 (b) (3) (A) 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. Further, HSC section 34171 (d) (1) (G) requires the Oversight Board (OB) to approve a repayment schedule for the repayment of the amounts borrowed.

The Agency has not submitted an OB action approving the repayment schedule. Once the OB approves the loan and the loan repayment schedule, and the corresponding OB action is approved by Finance, the Agency may request funding for this item on future ROPS. Therefore, this item is not an enforceable obligation and the requested amount of \$592,412 for the ROPS 16-17 period is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding at this time.

- The Agency's claimed administrative costs exceed the allowance by \$18,085. HSC section 34171 (b) (3) limits the fiscal year 2016-17 Administrative Cost Allowance (ACA) to three percent of actual distributed RPTTF in the preceding fiscal year or \$250,000, whichever is greater; not to exceed 50 percent of the distributed RPTTF in the preceding fiscal year. As a result, the Agency's maximum ACA is \$231,915 for the fiscal year 2016-17. Although \$250,000 is claimed for administrative cost, only \$231,915 is available pursuant to the cap. Therefore, the \$18,085 of excess administrative cost is not allowed.

- On the ROPS 16-17 form, the Agency reported cash balances and activity for the period of July 1, 2015 through June 30, 2016. Pursuant to HSC section 34177 (I) (1) (E), agencies are required to use all available funding sources prior to RPTTF for payment of enforceable obligations. During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should be used prior to requesting RPTTF. Therefore, with the Agency's consent, the funding source for the following item has been reclassified to Other Funds and in the amount specified below:
 - Item No. 16 – 2014 Refunding Tax Allocation Bonds. The Agency requested \$330,000 from RPTTF; however, Finance is reclassifying \$121,997 to Other Funds. This item is an enforceable obligation for the ROPS 16-17 period. However, the obligation does not require payment from property tax revenues and the Agency has \$121,997 in available Other Funds. Therefore, Finance is approving RPTTF in the amount of \$208,003 and the use of Other Funds in the amount of \$121,997, totaling \$330,000 for the July 1, 2016 through December 2016 period (ROPS A period).

Except for the item denied in whole or in part or the item that has been adjusted, Finance is not objecting to the remaining items listed on your ROPS 16-17. If you disagree with Finance's determination with respect to any items on your ROPS 16-17, 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 \$916,118 as summarized in the Approved RPTTF Distribution Table on Page 4 (See Attachment).

ROPS distributions will occur twice annually, one distribution for the ROPS A period, and one distribution for the January 1, 2017 through June 30, 2017 (ROPS B period) based on Finance's approved amounts. Since Finance's determination is for the entire ROPS 16-17 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

On the ROPS 16-17 form, the Agency was not required to report the estimated obligations versus actual payments (prior period adjustment) associated with the July 1, 2015 through December 31, 2015 period (ROPS 15-16A). The Agency will report actual payments for ROPS 15-16A and ROPS 15-16B on the ROPS 18-19 form pursuant to HSC section 34186 (a) (1). A prior period adjustment will be applied to the Agency's future RPTTF distribution. Therefore, the Agency should retain any difference in unexpended RPTTF.

Please refer to the ROPS 16-17 schedule used to calculate the total RPTTF approved for distribution:

<http://www.dof.ca.gov/redevelopment/ROPS>

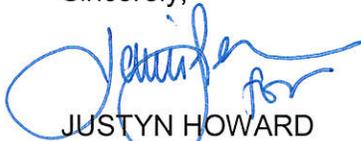
Absent a Meet and Confer, this is Finance's determination related to the enforceable obligations reported on your ROPS for the period July 1, 2016 through June 30, 2017. This determination only applies to items when funding was requested for the 12-month period. Finance's determination is effective for 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 Nichelle Thomas, Supervisor, or Michael Barr, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Program Budget Manager

cc: Ms. Laura Hoffmeister, Assistant City Manager, City of Clayton
Mr. Bob Campbell, Auditor-Controller, Contra Costa County

Attachment

Approved RPTTF Distribution			
For the period of July 2016 through June 2017			
	ROPS A Period	ROPS B Period	Total
Requested RPTTF (excluding administrative obligations)	\$ 806,200	\$ 592,412	\$ 1,398,612
Requested Administrative RPTTF	125,000	125,000	250,000
Total RPTTF requested for obligations on ROPS 16-17	931,200	717,412	\$ 1,648,612
Total RPTTF requested	806,200	592,412	1,398,612
<u>Denied Item</u>			
Item No. 3	0	(592,412)	(592,412)
<u>Reclassified Item</u>			
Item No. 16	(121,997)	0	(121,997)
Total RPTTF authorized	684,203	0	\$ 684,203
Total Administrative RPTTF requested	125,000	125,000	250,000
Administrative costs in excess of the cap (see Administrative Cost Allowance Cap table below)	0	(18,085)	(18,085)
Total Administrative RPTTF authorized	125,000	106,915	\$ 231,915
Total RPTTF approved for distribution	809,203	106,915	\$ 916,118

Administrative Cost Allowance Cap Calculation	
Actual RPTTF distributed for fiscal year 2015-16	\$ 713,829
Less sponsoring entity loan and Administrative RPTTF	250,000
Actual RPTTF distributed for 2015-16 after adjustment	463,829
Administrative Cap for 2016-17 per HSC section 34171 (b)	231,915
ROPS 16-17 Administrative RPTTF after Finance adjustments	250,000
Administrative Cost Allowance in excess of the cap	\$ (18,085)