



April 15, 2016

Ms. Tina Sumner, Community & Economic Development Director
City of Clovis
1033 Fifth Street
Clovis, CA 93612

Dear Ms. Sumner:

Subject: 2016-17 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Clovis 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 26, 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 – 2008 Tax Allocation Bonds Processing Fee in the amount of \$68,840 is not allowed. It is our understanding this line item relates to City of Clovis (City) staff time in relation to the administration of bond debt service processing. However, routine debt service processing is considered a general administrative task, covered by the Agency's Administrative Cost Allowance (ACA) pursuant to HSC section 34171 (b). Therefore, this item is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.
- Item No. 10 – Silver Ridge Section 108 Loan (108 Loan) in the total outstanding amount of \$15,708 is not allowed. The Agency provided an Agreement among the County of Fresno (County), the City, and the Agency (Agreement), a Memorandum from the City to Clovis Seniors Unlimited, and a fiscal year summary of funding for the 108 Loan, to support the requested funding.

The Agreement was entered into by and between the County and the City, and the Agency to finance the acquisition of the old Clovis Community Hospital to provide affordable housing project. The County applied for the United States Department of Housing and Urban Development (HUD) Section 108 Loan (108 Loan), secured a \$500,000 loan, and loaned those funds to the City. It is our understanding the Agency's obligation to make this payment is triggered only when the City's Community Development Block Grant (CDBG) funds and/or 108 Loan/CDBG program income is insufficient to do so under the Agreement.

The documents provided do not sufficiently support the requested funding because the fiscal year summary for 2015-2016 indicates the City received sufficient funding to pay the 108 Loan. It also appears the request for funding includes shortfalls stemming from fiscal years 2013 through 2015. Consequently, the Agency has not provided sufficient

documentation to support that the Agency's obligation is triggered. Therefore, this item is not an enforceable obligation and the requested amount of \$15,708 is not eligible for RPTTF funding.

To the extent the Agency can provide a complete program reconciliation, including CDBG program funds, CDBG program income, and HUD funding, this item may be eligible for funding on future ROPS. Finance encourages the Agency to continue working to compile the necessary documentation.

- The Agency's claimed administrative costs exceed the allowance by \$10,000. HSC section 34171 (b) (3) limits the fiscal year 2016-17 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 \$250,000 for the fiscal year 2016-17. Although \$250,000 is claimed for administrative costs, Item No. 3, 2008 Tax Allocation Bonds Processing Fee, in the amount of \$10,000, is considered an administrative task and should be counted toward the cap. Therefore, \$10,000 of excess ACA is not allowed.

Except for the items denied in whole or in part or the items that have been reclassified, 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/

On the ROPS 16-17 form, the Agency reported cash balances and activity for the period of July 1, 2015 through June 30, 2016. Finance performs a review of the Agency's self-reported cash balances on an ongoing basis. 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 enforceable obligations, HSC section 34177 (l) (1) (E) requires these balances to be used prior to requesting RPTTF.

The Agency's maximum approved RPTTF distribution for the reporting period is \$1,643,069 as summarized in the Approved RPTTF Distribution Table on Page 4 (See Attachment).

ROPS distributions will occur twice annually, one distribution for the July 1, 2016 through December 31, 2016 (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:

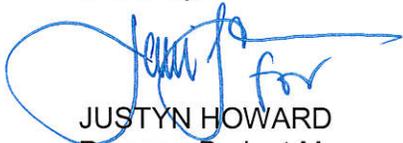
<http://www.dof.ca.gov/redevelopment/ROPS>

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 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 Alexander Watt, Lead Analyst at (916) 445-1546.

Sincerely,

A handwritten signature in blue ink, appearing to read "Justyn Howard", with a large loop on the left side and a horizontal line extending to the right.

JUSTYN HOWARD
Program Budget Manager

cc: Mr. Andrew Haussler, Housing Program Manager, City of Clovis
Mr. George Gomez, Accounting Financial Manager, Fresno County

Attachment

Approved RPTTF Distribution			
For the period of July 2016 through June 2017			
	<u>ROPS A Period</u>	<u>ROPS B Period</u>	<u>Total</u>
Requested RPTTF (excluding administrative obligations)	\$ 1,082,493	\$ 336,284	\$ 1,418,777
Requested Administrative RPTTF	125,000	125,000	250,000
Total RPTTF requested for obligations on ROPS 16-17	1,207,493	461,284	\$ 1,668,777
Total RPTTF Requested	1,082,493	336,284	1,418,777
<u>Denied Items</u>			
Item No. 10	(15,708)	0	(15,708)
<u>Reclassified Item</u>			
Item No. 3	(5,000)	(5,000)	(10,000)
Total RPTTF authorized	1,061,785	331,284	\$ 1,393,069
Total Administrative RPTTF requested	125,000	125,000	250,000
<u>Reclassified Item</u>			
Item No. 3	5,000	5,000	10,000
Total Administrative RPTTF after Finance adjustments	130,000	130,000	260,000
Administrative costs in excess of the cap (see Administrative Cost Allowance Cap table below)	0	(10,000)	(10,000)
Total Administrative RPTTF authorized	130,000	120,000	\$ 250,000
Total RPTTF approved for distribution	1,191,785	451,284	\$ 1,643,069

Administrative Cost Allowance Cap Calculation	
Actual RPTTF distributed for fiscal year 2015-16	\$ 1,314,835
Less sponsoring entity loan and Administrative RPTTF	250,000
Actual RPTTF distributed for 2015-16 after adjustment	1,064,835
Administrative Cap for 2016-17 per HSC section 34171 (b)	250,000
ROPS 16-17 Administrative RPTTF after Finance adjustments	260,000
Administrative Cost Allowance in excess of the cap	\$ (10,000)