DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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April 12, 2016

Ms. Maribel Reyna, City Manager
City of Delano
1015 11th Avenue
P. O. Box 3010
Delano, CA 93216

Dear Ms. Reyna:

Subject: 2016-17 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Delano 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 February 1, 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. 14 – Property maintenance costs for Agency-owned properties in the amount of $10,000 are not approved. It is our understanding the funding requested is related to properties approved for transfer to the City of Delano for future development as approved on the Agency's Long-Range Property Management Plan on June 18, 2014. Therefore, these maintenance costs are no longer an obligation of the Agency and not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.

- Item No. 22 – 2015 Tax Allocation Bond, Series B in the amount of $285,000. It is our understanding the Agency has $285,000 from Reserve Balances to fund the July 1, 2016 through December 31, 2016 (ROPS A period) debt service payment. However, the Agency should have requested funding from their Reserve Balances. As such, with the Agency's concurrence, $285,000 requested in RPTTF has been reclassified to Reserve Balances for the ROPS A period.

  In addition, the Agency did not request debt service reserves for the September 1, 2017 payment. As such, the Agency requested Finance to increase RPTTF funding to $285,000 for the January 1, 2017 through June 30, 2017 (ROPS B period). As a result, RPTTF funding requested for enforceable obligations has been increased by $285,000 for the ROPS B period.

- The administrative costs claimed are within the fiscal year administrative cap pursuant to HSC section 34171 (b) (3). However, Finance notes the oversight board has approved an amount that appears excessive, given the number and nature of the other obligations

listed in 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 apply adequate oversight when evaluating the administrative resources required to successfully wind-down the Agency.

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/

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 $3,154,812 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 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 Kylie Oltmann, Supervisor, or Nicole Prisakar, Lead Analyst at (916) 445-1546.

Sincerely,

for

JUSTYN HOWARD
Program Budget Manager

cc: Ms. Rosa Rios, Finance Director, City of Delano
Ms. Mary B. Bedard, Auditor-Controller, Kern 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)	$ 2,130,261	$ 784,551	$ 2,914,812
Requested Administrative RPTTF	125,000	125,000	250,000
Total RPTTF requested for obligations on ROPS 16-17	**2,255,261**	**909,551**	**$ 3,164,812**
Adjustment to Agency Requested RPTTF	0	285,000	285,000
Adjustment to Agency Requested Administrative RPTTF	0	0	0
Total RPTTF adjustments	0	285,000	285,000
Total RPTTF Requested	**2,130,261**	**1,069,551**	**3,199,812**
Denied Item			
Item No. 14	(5,000)	(5,000)	(10,000)
Reclassified Item			
Item No. 22	(285,000)	0	(285,000)
Total RPTTF authorized	**1,840,261**	**1,064,551**	**$ 2,904,812**
Total Administrative RPTTF authorized	**125,000**	**125,000**	**$ 250,000**
Total RPTTF approved for distribution	**1,965,261**	**1,189,551**	**$ 3,154,812**