



March 15, 2016

Ms. Joan Michaels Aguilar, Deputy City Manager - Administrative Services
City of Dixon
600 East A Street
Dixon, CA 95620

Dear Ms. Michaels Aguilar:

Subject: 2016-17 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Dixon 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 28, 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. 2 – City loan repayments totaling \$4,000 for the ROPS 16-17 period are not allowed. HSC section 34191.4 (b) (3) (A) allows 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 year.

According to the Solano County Auditor-Controller's report, the ROPS residual pass-through amount distributed to the taxing entities for fiscal year 2012-13 and 2015-16 are \$1,121,884 and \$901,922, respectively. Pursuant to the repayment formula, the maximum repayment amount authorized for the ROPS 16-17 period is zero. Therefore, the \$4,000 requested is not eligible for funding on ROPS 16-17. The Agency may be eligible for additional funding on subsequent ROPS.

- Item Nos. 6, 7, and 8 - Oversight Board (OB) Legal Services, Successor Agency Legal Services, and OB Supplies in the total amount of \$12,500 in Other Funds are considered administrative costs for the ROPS 16-17. As such, Item Nos. 6, 7, and 8 are not eligible to be funded by Other Funds and should be counted toward the Administrative Cost Allowance (ACA) cap.
- Item No. 9 - Claimed administrative costs exceed the allowance by \$98,445. HSC section 34171 (b) (3) limits the fiscal year 2016-2017 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 \$161,053 for the fiscal year 2016-2017.

The Agency claimed the administrative cost totaling \$250,000 (\$211,590 payable from Admin RPTTF, \$19,944 from Other Funds, \$15,464 from Reserve Balance, and \$3,002 from Bond Proceeds). Although \$250,000 is claimed for administrative cost on Item No. 9, Item Nos. 6, 7, and 8 in the amount totaling \$12,500 of Other Funds are considered administrative costs and should be counted towards the ACA. Similarly, the administrative costs requested from bond proceeds should not be counted towards the ACA pursuant to HSC section 34171 (b) (4), bringing the total ROPS 16-17 ACA requested to \$259,498 (\$250,000 + \$12,500 - \$3,002).

Therefore, \$98,445 (\$66,001 in Admin RPTTF and \$32,444 in Other Funds) of excess ACA is not allowed (\$259,498 - \$161,053). Finance is approving \$15,464 in Reserve Balance and \$145,589 in Admin RPTTF, to total the \$161,053 ACA allowed per statute.

In addition, the excess ACA payable from Other Funds totaling \$32,444 (\$19,944 from Item No. 9 + \$12,500 from Item Nos. 6, 7, and 8) is not allowed. To the extent the Agency has Other Funds available, the Agency should use those funds to pay other enforceable obligations approved on the ROPS pursuant to HSC section 34177 (I) (1) (E). Therefore, Finance reclassified the funding source for Item No. 14 from RPTTF to Other Funds in the amount of \$32,444.

- The administrative costs approved 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 items denied in whole or in part or the items that have 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. 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, Finance determined the Agency possess \$32,444 in Other Funds, see explanation under Item No. 9 above. Therefore, the funding source for the following item has been reclassified to Other Funds.

Item No. 14 – 2015 Tax Allocation Refunding Bonds in the amount of \$32,444. The Agency requests \$222,885 for the July 1, 2016 through December 31, 2016 (ROPS A) period and \$145,895 for the January 1, 2017 through June 30, 2017 (ROPS B) period; however, Finance is reclassifying \$32,444 (\$21,590 + \$10,854) for the ROPS A and B periods, respectively, from RPTTF to Other Funds. This item is an enforceable obligation

for the ROPS 16-17 A and B period. Therefore, Finance is approving \$32,444 from Other Funds for this obligation and \$336,336 in RPTTF for the ROPS 16-17 period.

The Agency's maximum approved RPTTF distribution for the reporting period is \$481,925 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 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:

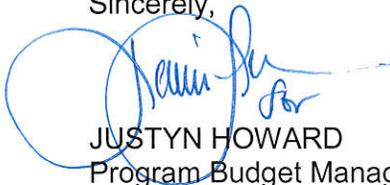
<http://www.dof.ca.gov/redevelopment/ROPS>

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 Wendy Griffe, Supervisor, or Medy Lamorena, Lead Analyst, at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Program Budget Manager

cc: Mr. D'Andre Wells, Economic Development/Grants Manager, City of Dixon
Ms. Rosemary Bettencourt, Deputy Auditor-Controller, Solano 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)	\$ 224,885	\$ 147,895	\$ 372,780
Requested Administrative RPTTF	91,194	120,396	211,590
Total RPTTF requested for obligations on ROPS 16-17	316,079	268,291	\$ 584,370
Total RPTTF Requested	224,885	147,895	372,780
<u>Denied Items</u>			
Item No. 2	(2,000)	(2,000)	(4,000)
<u>Reclassified Item</u>			
Item No. 14	(21,590)	(10,854)	(32,444)
	(23,590)	(12,854)	(36,444)
Total RPTTF authorized	201,295	135,041	\$ 336,336
Total Administrative RPTTF requested	91,194	120,396	211,590
Administrative costs in excess of the cap (see Administrative Cost Allowance Cap table below)	0	(66,001)	(66,001)
Total Administrative RPTTF authorized	91,194	54,395	\$ 145,589
Total RPTTF approved for distribution	292,489	189,436	\$ 481,925

Administrative Cost Allowance Cap Calculation	
Actual RPTTF distributed for fiscal year 2015-16	\$ 552,071
Less sponsoring entity loan and Administrative RPTTF	229,966
Actual RPTTF distributed for 2015-16 after adjustment	322,105
Administrative Cap for 2016-17 per HSC section 34171 (b)	161,053
Less Administrative Cap funded with Reserve Balances	(15,464)
Administrative Cap remaining for 2016-17 per HSC section 34171 (b)	145,589
ROPS 16-17 Administrative RPTTF requested	211,590
Administrative Cost Allowance in excess of the cap	\$ (66,001)