DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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April 4, 2016

Mr. Regan Candelario, City Manager
City of Fortuna
P.O. Box 545
Fortuna, CA 95540

Dear Mr. Candelario:

Subject: 2016-17 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Fortuna 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 – The claimed administrative costs exceed the allowance by $4,807. Pursuant to HSC section 34171 (b) (3), the Administrative Cost Allowance (ACA) shall be up to three percent of the actual distributed Redevelopment Property Tax Trust Fund (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. The Humboldt County Auditor-Controller (CAC) distributed $747,720 in RPTTF for the 2015-16 fiscal year. This amount was further adjusted by the distributed ACA and Sponsoring Entity Loan repayments to arrive at the adjusted RPTTF of $490,386. As a result, $245,193 is available for the ACA pursuant to the cap. The Agency claimed administrative cost totaling $250,000 ($134,059 payable from Administrative RPTTF and $115,941 from Reserve Balance). Therefore, $4,807 of excess administrative cost payable from Reserve Balance is not allowed.

  To the extent the Agency has Reserve Balances available, the Agency should use those funds to pay other enforceable obligations approved on the ROPS pursuant to HSC section 34177 (l) (1) (E). Therefore, Finance has reclassified RPTTF requested for Item No. 1 – 2007 Tax Allocation Bonds to Reserve Balance in the amount of $4,807 and approving RPTTF in the amount of $395,836, totaling $400,643.

- Item No 6 – City loan repayments totaling $227,654 for the ROPS 16-17 period are partially 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 preceding fiscal year and the ROPS residual pass-through distributed to the taxing entities in the fiscal year 2012-13 base year.

According to the CAC report, the ROPS residual pass-through amount distributed to the taxing entities for fiscal year 2012-13 and 2015-16 are $376,204 and $401,280, respectively. Therefore, pursuant to the repayment formula, the maximum repayment amount authorized for the ROPS 16-17 period is $12,538. Therefore, the requested $215,116 of excess loan repayment is not eligible for RPTTF funding for the ROPS 16-17 period. The Agency may be eligible for additional funding in a subsequent fiscal year.

- Item Nos. 7 and 8 – ROPS 15-16A and ROPS 15-16B unfunded obligation reimbursement request totaling $215,389 is not allowed. The CAC reports the Agency received a RPTTF distribution equal to the amount Finance approved on ROPS 15-16A and ROPS 15-16B. Consequently, there is no cash short fall in the Agency's Redevelopment Obligation Retirement Fund (RORF). The RORF shortfall request is not supported and does not qualify as an enforceable obligation.

Except for the items denied or reclassified in whole or in part, 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 $773,953 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'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 Cindie Lor, Supervisor, or Todd Vermillion, Lead Analyst at (916) 445-1546.

Sincerely,

for

JUSTYN HOWARD
Program Budget Manager

cc: Mr. Joe Mellett, Auditor-Controller, Humboldt 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)	$ 729,859	$ 345,347	$ 1,075,206
Requested Administrative RPTTF	9,059	125,000	134,059
Total RPTTF requested for obligations on ROPS 16-17	**738,918**	**470,347**	**$ 1,209,265**
Total RPTTF requested	**729,859**	**345,347**	**1,075,206**
Denied Items			
Item No. 15	(101,289)	(113,827)	(215,116)
Item No. 17	(101,562)	0	(101,562)
Item No. 132	(113,827)	0	(113,827)
Reclassified Item			
Item No. 21	(4,807)	0	(4,807)
Total RPTTF authorized	**408,374**	**231,520**	**$ 639,894**
Total Administrative RPTTF authorized	**9,059**	**125,000**	**$ 134,059**
Total RPTTF approved for distribution	**417,433**	**356,520**	**$ 773,953**

Administrative Cost Allowance Cap Calculation	
Actual RPTTF distributed for fiscal year 2015-16	$ 747,720
Less sponsoring entity loan and Administrative RPTTF	257,334
Actual RPTTF distributed for 2015-16 after adjustment	490,386
Administrative Cap for 2016-17 per HSC section 34171 (b)	245,193
ROPS 16-17 Administrative request after Finance adjustments	250,000
Administrative Cost Allowance (ACA) in excess of the cap *	**$ (4,807)**

* Excess ACA was reduced from requested Reserve Balance funding; and therefore is not reflected as an adjustment to Administrative RPTTF in the Approved RPTTF Distribution Table above.