



April 4, 2016

Mr. Gregory M. Lucido, Interim Finance Director
City of Galt
380 Civic Drive
Galt, CA 95632

Dear Mr. Lucido:

Subject: 2016-17 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Galt 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. 1 – 2011 Tax Allocation Bonds (TABs), Series A in the amount of \$567,568 has been partially reclassified. The Agency requested \$567,568 from Redevelopment Property Tax Trust Funds (RPTTF); however, Finance is reclassifying \$83,739 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 \$83,739 in available Other Funds. Therefore, Finance is approving RPTTF in the amount of \$483,829 and the use of Other Funds in the amount of \$83,739, totaling \$567,568 for the ROPS 16-17 period.
- Item No. 23 – Project Delivery Professional Services funded from 2011 Bonds Proceeds is partially allowed. The Agency requested a total of \$679,882 derived from its 2011 TABs, Series A. Finance notes the Agency duplicated the requested amount in both periods of the ROPS 16-17, thereby doubling the requested amount. As such, the \$339,941 requested in the January through June 2017 period (ROPS B period) is not allowed.

Pursuant to HSC section 34191.4 (c) (2), after receiving a Finding of Completion, the Agency may expend proceeds derived from bonds issued on or after January 1, 2011 in a manner consistent with the original bond covenants. The Agency received a Finding of Completion on December 8, 2015.

However, HSC 34191.4 (c) (2) (A) limits the Agency's expenditure authority to five percent of the 2011 Series A Bond Proceeds until the Agency has an approved Last and Final ROPS. As such, the Agency may only expend \$118,191 from proceeds derived from the 2011 TABs, Series A. Therefore, Item No. 23 is partially allowed in the amount of \$118,191 for the July through December 2016 period (ROPS A period). The Agency's remaining request, \$221,750 (\$339,941 - \$118,191) is not allowed at this time.

- Item No. 39 – 2011 Loan Consolidation with a total outstanding balance of \$4,393,554 has been adjusted to \$975,000. Pursuant to HSC section 34191.4 (b), loan agreements between the former redevelopment agency (RDA) and sponsoring entity may be placed on the ROPS if the following requirements are met: (1) the Agency has received a Finding of Completion; and (2) the Agency's Oversight Board approves the loan as an enforceable obligation by finding the loan was for legitimate redevelopment purposes.

The Agency received a Finding of Completion on December 8, 2015. Finance partially approved OB Resolution 2016-02 OB, an Agency resolution approving the Loan Consolidation Agreement between the City of Galt (City) and the former RDA in the amount of \$4,393,554 as an enforceable obligation and finding the loan was for legitimate redevelopment purposes on March 8, 2016.

Of the ten loan transactions identified in the Loan Consolidation Agreement, only one satisfies the requirements for a loan as defined in HSC section 34191.4 (b) (2). Finance approved Loan 9 – City of Galt Affordable Senior Housing Project, dated February 13, 2008, in the amount of \$975,000 for repayment. Therefore, the remaining loans, with an outstanding obligation amount of \$3,418,554 (\$4,393,554 - \$975,000) are not enforceable obligations and are not eligible for RPTTF funding. However, Finance approves RPTTF funding for Loan 9 in the amount of \$195,544 for the ROPS 16-17 period.

- Item No. 41 – City Loan to Successor Agency in the amount of \$2,188,172. Finance notes the Agency duplicated the requested amount in both ROPS A and ROPS B periods, thereby doubling the requested amount to \$2,188,172. As such, Finance is allowing the \$1,094,086 RPTTF requested in the ROPS A period pursuant to HSC section 34179.9 (b) (2). The remaining amount, \$1,094,086 is not allowed.

Except for the items denied in whole or in part or for the item that has 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/

The Agency's maximum approved RPTTF distribution for the reporting period is \$3,118,859 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.

Mr. Gregory M. Lucido
April 4, 2016
Page 3

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

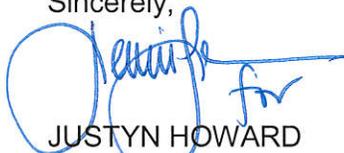
<http://www.dof.ca.gov/redevelopment/ROPS>

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. Michelle Neeley, Accounting Manager, City of Galt
Mr. Ben Lamera, Assistant Auditor-Controller, Sacramento 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)	\$ 1,904,020	\$ 2,142,664	\$ 4,046,684
Requested Administrative RPTTF	125,000	125,000	250,000
Total RPTTF requested for obligations on ROPS 16-17	2,029,020	2,267,664	\$ 4,296,684
Total RPTTF requested	1,904,020	2,142,664	4,046,684
<u>Denied Item</u>			
Item No. 41	0	(1,094,086)	(1,094,086)
<u>Reclassified Item</u>			
Item No. 1	(83,739)	0	(83,739)
Total RPTTF authorized	1,820,281	1,048,578	\$ 2,868,859
Total Administrative RPTTF authorized	125,000	125,000	\$ 250,000
Total RPTTF approved for distribution	1,945,281	1,173,578	\$ 3,118,859