DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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April 8, 2016

Mr. Rene L. Mendez, City Manager
City of Gonzales
P. O. Box 647
Gonzales, CA 93926

Dear Mr. Mendez:

Subject: 2016-17 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177(o) (1), the City of Gonzales 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. 10 – Supplemental Educational Revenue Augmentation repayment in the amount of $140,334 requested for ROPS 16-17 is not allowed. HSC section 34191.4 (b) (3) (A) allows this 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 County Auditor-Controller's report, the amount distributed to the taxing entities for fiscal year 2012-13 and 2015-16 are zero and zero, respectively. Therefore, pursuant to the repayment formula, the maximum repayment amount authorized for fiscal year 2016-17 is zero. Therefore, excess of $140,334 requested for ROPS 16-17 is not allowed. The Agency may be eligible for funding on future ROPS.

- Item No. 21 – Reimbursement Agreement in the amount of $510,955 for the July 1, 2016 through December 31, 2016 (ROPS A period). Per discussion with Agency staff and review of the documentation provided, the $510,955 requested for the ROPS A period was in error and the correct amount should be $603,260. As a result, the Redevelopment Property Tax Trust Fund (RPTTF) has been increased by $92,305.

- 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.

- 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 (l) (1) (E), agencies are required to use all available funding sources prior to RPTTF for payment of enforceable obligations. During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should be used prior to requesting RPTTF. Therefore, with the Agency's concurrence, the funding source has been reclassified to Other Funds and in the amount specified below:

    - Item No. 21 – Reimbursement Agreement in the amount of $603,260 for the ROPS A period. The Agency requests $603,260 of RPTTF; however, Finance is reclassifying $20,000 to Other Funds. This item is an enforceable obligation for the ROPS A period; however, the obligation does not require payment form property tax revenues. Therefore, Finance is approving RPTTF in the amount of $583,260 and the use of Other Funds in the amount of $20,000 totaling $603,260.

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/

The Agency's maximum approved RPTTF distribution for the reporting period is $1,871,252 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 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 Kylie Oltmann, Supervisor, or Zuber Tejani, Lead Analyst at (916) 445-1546.

Sincerely,

JUSTYN HOWARD
Program Budget Manager

cc: Mr. Thomas Truszkowski, Community Development Director, City of Gonzales
Ms. Julie Aguero, Auditor Controller Analyst II, Monterey 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)	$ 1,093,117	$ 596,164	$ 1,689,281
Requested Administrative RPTTF	125,000	125,000	250,000
Total RPTTF requested for obligations on ROPS 16-17	**1,218,117**	**721,164**	**$ 1,939,281**
Adjustment to Agency Requested RPTTF	92,305	0	92,305
Adjustment to Agency Requested Administrative RPTTF	0	0	0
Total RPTTF adjustments	**92,305**	**0**	**$ 92,305**
Total RPTTF requested	1,185,422	596,164	1,781,586
Denied Items			
Item No. 10	(70,167)	(70,167)	(140,334)
Reclassified Item			
Item No. 21	(20,000)	0	(20,000)
Total RPTTF authorized	**1,095,255**	**525,997**	**$ 1,621,252**
Total Administrative RPTTF authorized	**125,000**	**125,000**	**$ 250,000**
Total RPTTF approved for distribution	**1,220,255**	**650,997**	**$ 1,871,252**

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