



REVISED

April 10, 2016

Ms. Barbara Boswell, Finance Director
City of Lancaster
44933 Fern Avenue
Lancaster, CA 93534

Dear Ms. Boswell:

Subject: 2016-17 Annual Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS 16-17) determination letter dated March 17, 2016. A revision is necessary to increase the total Redevelopment Property Tax Trust Fund (RPTTF) by \$52,346 due to a clerical error made by Finance in our denial of Item No. 109 as described in the first bullet below. Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Lancaster Successor Agency (Agency) submitted ROPS 16-17 to the California Department of Finance (Finance) on January 20, 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 Nos. 1 through 7, 108, 109, 111, 112, 114, 115, 117, 118, 120, 123, and 126 – Low and Moderate Income Housing Fund (LMIHF) loan repayment for purposes of the Educational Revenue Augmentation Fund (ERAF) totaling \$1,157,167 in RPTTF, is partially approved. HSC section 34191.4 (b) (2) (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 Los Angeles County Auditor-Controller's (CAC) report, the amounts distributed to the taxing entities for fiscal year 2012-13 and 2015-16 year is zero and \$589,610, respectively. Pursuant to the repayment formula, the maximum repayment amount authorized for 2016-17 is \$294,805. Therefore, of the \$1,157,167 requested, only \$294,805 is available pursuant to the formula. With the Agency's concurrence \$294,805 was applied to Item Nos. 1 through 7, 108, and partially to Item No. 109. Finance's March 17, 2016 ROPS 16-17 determination letter only applied \$58,916 to Item No. 109 when \$111,262 was the correct amount. The remaining obligations totaling \$862,362 (\$1,157,167 - \$294,805) are not approved for funding at this time.

- Item Nos. 220 through 222 – Automall Sign Agreement payment totaling \$6,690 in Other Funds is not allowed. Per discussion with Agency staff, the requested funding

is no longer needed for this obligation and can be retired as the Automall will be responsible for this obligation.

- Item Nos. 328 through 330 and 333 – ROPS 15-16B RPTTF distribution shortfall totaling \$1,081,689. The Agency no longer requires funding for Item Nos. 328 through 330, totaling \$719,150 as the CAC authorized the Agency to use ROPS 15-16A PPA in the amount of \$732,277. The excess \$13,127 (\$732,277 - \$719,150) was applied to Item No. 333. As a result, Item Nos. 328 through 330 has been decreased to zero and Item No. 333 was reduced by \$13,127 to \$349,412.
- Item No. 331 – ROPS 16-17B anticipated RPTTF shortfall in the amount of \$827,343 is not allowed. According to the Agency, the amount requested as a reserve is the difference between authorized RPTTF for ROPS 16-17B and expected property tax allocation. Since the ROPS 16-17B distribution has not yet occurred, the anticipated shortfall is not an enforceable obligation and is not approved for funding.
- The claimed administrative costs exceed the allowance by \$86,795. HSC section 34171 (b) (3) limits the fiscal year 2017 Administrative Cost Allowance (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 \$585,524 for the fiscal year 2016-17. Although \$672,319 is claimed for administrative cost, only \$585,524 is available pursuant to the cap. Therefore, \$86,795 of excess administrative cost is not allowed.

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. 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 \$21,293,774 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.

Ms. Barbara Boswell
April 10, 2016
Page 3

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:

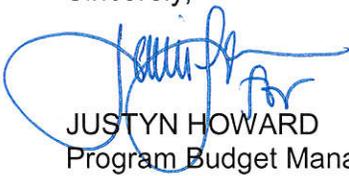
<http://www.dof.ca.gov/redevelopment/ROPS>

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,



JUSTYN HOWARD
Program Budget Manager

cc: Ms. Pam Statsmann, Assistant Finance Director, City of Lancaster
Ms. Kristina Burns, Manager, Department of Auditor-Controller, Los Angeles County

Approved RPTTF Distribution			
For the period of July 2016 through June 2017			
	ROPS A Period	ROPS B Period	Total
Requested RPTTF (excluding administrative obligations)	\$ 14,487,180	\$ 8,643,052	\$ 23,130,232
Requested Administrative RPTTF	413,041	259,278	672,319
Total Requested RPTTF on ROPS 16-17	14,900,221	8,902,330	\$ 23,802,551
Adjustment to Agency Requested RPTTF	(732,277)	0	(732,277)
Adjustment to Agency Requested Administrative RPTTF	0	0	0
Total RPTTF adjustments	(732,277)	0	\$ (732,277)
Total RPTTF Requested	13,754,903	8,643,052	22,397,955
Denied Items			
Item No. 109	(120,390)	0	(120,390)
Item No. 111	(10,709)	0	(10,709)
Item No. 112	(43,986)	0	(43,986)
Item No. 114	(19,188)	0	(19,188)
Item No. 115	(61,663)	0	(61,663)
Item No. 117	(130,919)	0	(130,919)
Item No. 118	(170,116)	0	(170,116)
Item No. 120	(143,043)	0	(143,043)
Item No. 123	(158,902)	0	(158,902)
Item No. 126	(3,446)	0	(3,446)
Item No. 331	(827,343)	0	(827,343)
	(1,689,705)	0	(1,689,705)
Total RPTTF authorized	12,065,198	8,643,052	\$ 20,708,250
Total Administrative RPTTF requested	413,041	259,278	672,319
Administrative costs in excess of the cap (see Admin Cost Cap table below)	0	(86,795)	(86,795)
Total Administrative RPTTF authorized	413,041	172,483	\$ 585,524
Total RPTTF approved for distribution	12,478,239	8,815,535	\$ 21,293,774

Administrative Cost Allowance Cap Calculation	
Actual RPTTF distributed for fiscal year 2015-16	\$ 19,856,718
Less sponsoring entity loan and Administrative RPTTF	0
Actual RPTTF distributed for 2015-16 after adjustment	19,856,718
Administrative Cap for 2016-17 per HSC section 34171 (b)	585,524
ROPS 16-17 Administrative RPTTF after Finance adjustments	672,319
Administrative Cost Allowance in excess of the cap	\$ (86,795)