



March 15, 2016

Mr. Jim Simon, Consultant
City of Oroville
309 W. Fourth Street
Santa Ana, CA 92701

Dear Mr. Simon:

Subject: 2016-17 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Oroville 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. 21 – City loan repayment in the amount of \$466,750 is 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 the 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 County Auditor-Controller's report, the ROPS residual pass-through amount distributed to the taxing entities for fiscal years 2012-13 and 2015-16 are \$5,599,723 and \$2,839,406, respectively. Pursuant to the repayment formula, the maximum repayment amount authorized for the ROPS 16-17 period is zero. Therefore, the \$466,750 requested is not eligible for Redevelopment Property Tax Trust Funds (RPTTF) funding on this ROPS. The Agency may be eligible for additional funding on a future ROPS.

- Item No. 22 – Housing Successor Entity Administrative Cost Allowance in the total outstanding balance of \$500,000 is not allowed. Pursuant to HSC section 34171 (p), the housing entity administrative cost allowance is applicable only in cases where the city, county, or city and county that authorized the creation of the redevelopment agency (RDA) elected to not assume the housing functions and that the housing functions were transferred to a local housing authority in the territorial jurisdiction of the RDA. Here, however, the City of Oroville (City) elected to be the housing entity to the RDA and retained the housing assets by submitting the housing asset transfer form to Finance on August 1, 2012. Therefore, the City is not eligible for the housing entity administrative costs allowance of \$150,000 requested for the ROPS 16-17 period.

- Item No. 24 – Pre Disposition Costs in the amount of \$95,700 is not allowed. Pursuant to HSC 34177.3 (b), except as required by an enforceable obligation, allowable winding down costs does not include project startup costs, such as site remediation, development, or improvements. Based on documentation provided by the Agency, the Central Valley Regional Water Quality Control Board issued a “No Further Action Required” letter for the property related to the estimated pre-disposition costs. Furthermore, Finance approved the Agency’s Long-Range Property Management Plan (LRPMP) on March 5, 2015. The Agency should work towards disposing Agency owned properties expeditiously without starting new project work. Therefore, the item is not an enforceable obligation and the requested \$95,700 is not eligible for RPTTF funding.

Except for the items denied 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. 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, 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 for the following item has been reclassified to Other Funds and in the amount specified below:

Item No. 27 – ROPS 15-16B PPA Correction in the amount of \$59,896. The Agency requests \$70,999 of RPTTF; however, Finance is reclassifying \$59,896 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 \$59,896 in available Other Funds. Therefore, Finance is approving RPTTF in the amount of \$11,103 and the use of Other Funds in the amount of \$59,896, totaling \$70,999 for the ROPS 16-17 period.

The Agency’s maximum approved RPTTF distribution for the reporting period is \$1,871,897 as summarized in the Approved RPTTF Distribution table on page 3 (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:

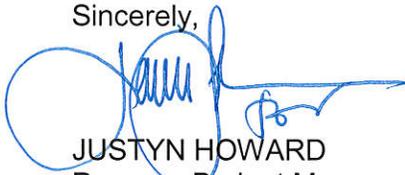
<http://www.dof.ca.gov/redevelopment/ROPS>

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 Satveer Ark, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Program-Budget Manager

cc: Mr. Rick Farley, Business Assistance Coordinator, City of Oroville
Ms. Maria Solis, Auditor - Accountant, Butte 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)	\$ 635,649	\$ 1,608,594	\$ 2,244,243
Requested Administrative RPTTF	275,000	125,000	400,000
Total RPTTF requested for obligations on ROPS 16-17	910,649	1,733,594	\$ 2,644,243
Total RPTTF Requested	635,649	1,608,594	2,244,243
<u>Denied Items</u>			
Item No. 21	(466,750)	0	(466,750)
Item No. 24	(95,700)	0	(95,700)
<u>Reclassified Item</u>			
Item No. 27	(59,896)	0	(59,896)
	(59,896)	0	(59,896)
Total RPTTF authorized	13,303	1,608,594	\$ 1,621,897
Total Administrative RPTTF requested	275,000	125,000	400,000
<u>Denied Item</u>			
Item No. 22	(150,000)	0	(150,000)
Total Administrative RPTTF authorized	125,000	125,000	\$ 250,000
Total RPTTF approved for distribution	138,303	1,733,594	\$ 1,871,897