DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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April 11, 2016

Mr. Travis Hickey, Asst Director of Finanace and Admin Services
City of Santa Fe Springs
11710 East Telegraph Road
Santa Fe Springs, CA 90670

Dear Mr. Hickey:

Subject: 2016-17 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Santa Fe Springs 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. 14 – Tax Increment Loan in the amount of $2,400,000 for July 1, 2016 through December 31, 2016 (ROPS A 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 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 report, the ROPS residual pass-through amount distributed to the taxing entities for fiscal year 2012-13 and 2015-16 are $8,782,091 and $13,552,127, respectively. Therefore, pursuant to the repayment formula, the maximum repayment amount authorized for the ROPS 16-17 period is $2,385,018. As such, the excess $14,982 is not allowed. The Agency may be eligible for additional funding on subsequent ROPS.

- Item No. 64 – Professional Services in the amount of $3,682 for the July 1, 2016 through December 31, 2016 (ROPS A) period. Per discussion with Agency staff and review of the documentation provided, the $3,682 requested in the ROPS A period should be $310. As a result, the RPTTF funding for this item has been reduced by $3,372.

- Item No. 65 – Oil Well Relocation Investigation/Study in the amount of $50,000 for the January 1, 2017 through June 30, 2017 (ROPS B) period. Per discussion with Agency staff and review of the documentation provided, the $50,000 requested in the ROPS B period should be zero. As a result, the RPTTF funding for this item has been reduced by $50,000.

In addition, it is our understanding these costs relate to the investigation and study of oil wells to assess their abandonment and relocation. These wells are located on Agency- owned properties that are identified as Property Nos. 36 through 43 on the Long-Range Property Management Plan (LRPMP) that was approved by Finance on November 24, 2015. These services may be necessary to assess the costs to be incurred in developing the site; however, these costs should not be an obligation of the Agency. Since these costs do not meet the definition of an enforceable obligation outlined by HSC section 34171 (d) (1), the Agency should dispose of the properties in an 'as is' condition and in accordance to their LRPMP. Therefore, the total outstanding amount of $100,000 is not an obligation of the Agency and not eligible for RPTTF funding.

- The claimed administrative costs exceed the allowance by $34,786. HSC section 34171 (b) (3) limits the fiscal year 16-17 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 $348,336 for the fiscal year 2016-17. Although $383,122 is claimed for administrative cost, only $348,336 is available pursuant to the cap. Therefore, $34,786 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 $20,230,202 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 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 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. Jose Gomez, Asst. City Manager/Director of Finance, City of Santa Fe Springs
Ms. Kristina Burns, Manager, Department of Auditor-Controller, Los Angeles 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)	$ 7,413,903	$ 12,586,317	$ 20,000,220
Requested Administrative RPTTF	191,561	191,561	383,122
Total RPTTF requested for obligations on ROPS 16-17	**7,605,464**	**12,777,878**	**$ 20,383,342**
Adjustment to Agency Requested RPTTF			
Item No. 64	(3,372)	0	(3,372)
Item No. 65	0	(50,000)	(50,000)
Adjustment to Agency requested Administrative RPTTF	(3,372)	(50,000)	(53,372)
Total RPTTF adjustments			
Total RPTTF requested	**7,410,531**	**12,536,317**	**19,946,848**
Denied Items			
Item No. 14	(14,982)	0	(14,982)
Item No. 65	(50,000)	0	(50,000)
	(64,982)	0	(64,982)
Total RPTTF authorized	**7,345,549**	**12,536,317**	**19,881,866**
Total Administrative RPTTF requested	**191,561**	**191,561**	**383,122**
Administrative costs in excess of the cap (see Administrative Cost Allowance Cap table below)	0	(34,786)	(34,786)
Total Administrative RPTTF authorized	**191,561**	**156,775**	**$ 348,336**
Total RPTTF approved for distribution	**7,537,110**	**12,693,092**	**$ 20,230,202**

Administrative Cost Allowance Cap Calculation	
Actual RPTTF distributed for fiscal year 2015-16	$ 13,595,059
Less sponsoring entity loan and Administrative RPTTF	1,983,849
Actual RPTTF distributed for 2015-16 after adjustment	11,611,210
Administrative Cap for 2016-17 per HSC section 34171 (b)	348,336
ROPS 16-17 Administrative RPTTF after Finance adjustments	383,122
Administrative Cost Allowance in excess of the cap	**$ (34,786)**