



March 14, 2016

Mr. Rogelio Sanchez, Finance Director
City of Wasco
764 E Street
Wasco, CA 93280

Dear Mr. Sanchez:

Subject: 2016-17 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Wasco 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. 4 – City of Wasco (City) loan in the amount of \$125,000 requested for ROPS 16-17A is not an enforceable obligation. It is our understanding the Agency inadvertently omitted to request funding for Administrative Cost Allowance for the ROPS 14-15B period and is requesting funds to repay the City for such costs. Pursuant to HSC section 34173 (h) (1), the City may loan funds to the Agency for enforceable obligations when the Agency receives insufficient distribution from approved sources of funding in the ROPS period.

Finance approved and the Kern County Auditor-Controller distributed \$155,900 of Redevelopment Property Tax Trust Fund (RPTTF) for ROPS 14-15B. As such, a shortfall did not occur during the period the funds were loaned. Therefore, the repayment of the City loan to fund RPTTF shortfall is not supported and does not qualify as an enforceable obligation.

- The administrative costs claimed are within the fiscal year administrative cap pursuant to HSC section 34171 (b) (2). 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 for the following item has been reclassified to Other Funds and in the amount specified below:

- Item No. 1 Industrial Park – Debt service payment pursuant to a reimbursement agreement in the amount of \$285,400 for the July 1, 2016 through December 31, 2016 (ROPS A) period. The Agency requests \$285,400 of RPTTF; however, Finance is reclassifying \$82,075 to Other Funds. This item is an enforceable obligation for the ROPS A period; however, the obligation does not require payment from property tax revenues. Therefore, Finance is approving RPTTF in the amount of \$203,325 and the use of Other Funds in the amount of \$82,075, totaling \$285,400.

Except for the item denied in whole or in part and the item that has 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 \$542,500 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

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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. Duviet Rodriguez, City Clerk, City of Wasco
Ms. Mary B. Bedard, Auditor-Controller, Kern 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)	\$ 352,000	\$ 22,575	\$ 374,575
Requested Administrative RPTTF	250,000	125,000	375,000
Total RPTTF requested for obligations on ROPS	602,000	147,575	\$ 749,575
Total RPTTF Requested	352,000	22,575	374,575
<u>Reclassified Item</u>			
Item No. 1	(82,075)	0	(82,075)
Total RPTTF authorized	269,925	22,575	\$ 292,500
Total Administrative RPTTF requested	250,000	125,000	375,000
<u>Denied Item</u>			
Item No. 4	(125,000)	0	(125,000)
Total Administrative RPTTF after Finance adjustments	125,000	125,000	250,000
Total Administrative RPTTF authorized	125,000	125,000	\$ 250,000
Total RPTTF approved for distribution	394,925	147,575	\$ 542,500