



April 14, 2016

Mr. Tim Ogden, City Manager
City of Waterford
101 E. Street
Waterford, CA 95386

Dear Mr. Ogden:

Subject: 2016-17 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177(o) (1), the City of Waterford 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 4, 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. 3 through 5 – Inter-Fund Loan for Deficits in the total amount of \$142,180 is not approved. The Agency requested funding for shortfalls of Redevelopment Property Tax Trust Fund (RPTTF) on Item Nos. 3 through 5. However, Finance calculated the Agency's total shortfall in Item No. 6 (see bullet and chart below) and the requested amount for Item No. 6 was increased to match the shortfall. Therefore, the requested amounts for Item Nos. 3 through 5 are no longer necessary and these line items should be retired on the subsequent ROPS.
- Item No. 6 – Inter-Fund Loan for Deficits in the total outstanding amount of \$124,044 is allowed. During the ROPS 3 through ROPS 15-16B periods, the Agency did not receive sufficient RPTTF to fund all approved items on their ROPS. The Agency originally requested \$6,581 to fund these shortfalls. During the ROPS 16-17 review it was determined the shortfall was actually \$124,044. Therefore, Finance increased the requested RPTTF by \$117,463 (\$124,044 - \$6,581) to meet the Agency's shortfall, as summarized below.

ROPS Period	ROPS Amount Approved	Distributed from Stanislaus County Auditor-Controller	Difference
3	\$ 49,436	\$ 20,477	\$ 28,959
13-14A	61,375	18,324	43,051
13-14B	33,124	28,060	5,064
14-15A	59,150	30,559	28,591
15-16A	60,075	41,696	18,379
		Total Shortfall	\$ 124,044

- The claimed administrative costs exceed the allowance by \$11,163. HSC section 34171 (b) (3) limits the fiscal year 2016-17 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 \$28,338 for the fiscal year 2016-17.

Although \$39,500 is claimed for administrative cost, only \$28,338 is available pursuant to the cap. Therefore, \$11,162 (\$39,500 - \$28,338) of excess administrative cost is not allowed.

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. 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 (I) (1) (E) requires these balances to be used prior to requesting RPTTF.

The Agency's maximum approved RPTTF distribution for the reporting period is \$212,132 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 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>

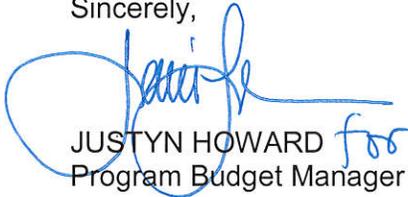
Absent a Meet and Confer, this is Finance's determination related to the enforceable obligations reported on your ROPS for the period July 1, 2016 through June 30, 2017. This determination

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 Wendy Griffe, Supervisor, or Jared Smith, Lead Analyst, at (916) 445-1546.

Sincerely,



JUSTYN HOWARD *for*
Program Budget Manager

cc: Ms. Tina Envia, Finance Manager, City of Waterford
Ms. Lauren Klein, Auditor-Controller, Stanislaus 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)	\$ 45,400	\$ 163,111	\$ 208,511
Requested Administrative RPTTF	19,750	19,750	39,500
Total RPTTF requested for obligations on ROPS 16-17	65,150	182,861	\$ 248,011
Adjustment to Agency Requested RPTTF (Item No. 6)	0	117,463	117,463
Total RPTTF requested	45,400	280,574	325,974
<u>Denied Items</u>			
Item No. 3	0	(58,856)	(58,856)
Item No. 4	0	(35,148)	(35,148)
Item No. 5	0	(48,176)	(48,176)
	0	(142,180)	(142,180)
Total RPTTF authorized	45,400	138,394	\$ 183,794
Total Administrative RPTTF requested	19,750	19,750	39,500
Administrative costs in excess of the cap (see Admin Cost Cap table below)	0	(11,162)	(11,162)
Total Administrative RPTTF authorized	19,750	8,588	\$ 28,338
Total RPTTF approved for distribution	65,150	146,982	\$ 212,132

Administrative Cost Allowance Cap Calculation	
Actual RPTTF distributed for fiscal year 2015-16	\$ 76,111
Less sponsoring entity loan and Administrative RPTTF	19,436
Actual RPTTF distributed for 2015-16 after adjustment	56,675
Administrative Cap for 2016-17 per HSC section 34171 (b)	28,338
ROPS 16-17 Administrative RPTTF after Finance adjustments	39,500
Available Administrative Cost Allowance eligible for RPTTF funding	\$ (11,162)