



May 17, 2016

Mr. Gregory M. Lucido, Interim Finance Director
City of Galt
380 Civic Drive
Galt, CA 95632

Dear Mr. Lucido:

Subject: 2016-17 Annual Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 4, 2016. Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Galt Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule for the period of July 1, 2016 through June 30, 2017 (ROPS 16-17) to Finance on January 26, 2016. Finance issued a ROPS determination letter on April 4, 2016. Subsequently, the Agency requested a Meet and Confer session on one or more of the determinations made by Finance. The Meet and Confer session was held on April 18, 2016.

Based on a review of additional information and documentation provided to Finance during the Meet and Confer process, Finance has completed its review of the specific determinations being disputed.

- Item No. 23 – Project Delivery Professional Services funded from 2011 Bonds Proceeds totaling \$679,882 derived from its 2011 TABs, Series A. Finance continues to partially approve this item in the amount of \$181,191 from the 2011 TAB Series A bond proceeds and denies the Meet and Confer request for use of 2011 Series B bonds as further discussed below. Finance previously noted that the Agency duplicated the requested amount in both periods of the ROPS 16-17, thereby doubling the requested amount. As such, the \$339,941 requested in the January through June 2017 period (ROPS B period) is not allowed. The Agency did not contest this adjustment. However, during the Meet and Confer, the Agency increased the requested amount from \$339,941 to \$490,326 to include the use of both the 2011 TAB Series A and Series B bond proceeds.

Pursuant to HSC section 34191.4 (c) (2), after receiving a Finding of Completion, the Agency may expend proceeds derived from bonds issued on or after January 1, 2011 in a manner consistent with the original bond covenants. The Agency received a Finding of Completion on December 8, 2015.

The Agency contends that they are permitted to use five percent of the bond proceeds, not the remaining bond proceeds. However, HSC 34191.4 (c) (2) (A) limits the Agency's expenditure authority to five percent of the 2011 Bond Proceeds until the Agency has an approved Last and Final ROPS. In addition, the Agency did not claim to have authority in any previous ROPS period to expended 2011 bond proceeds on approved enforceable

obligations. Therefore, it must be that the entire issuance of bond proceeds is available. The eligible 2011 bond proceeds for expenditure during the ROPS 16-17 period are detailed below:

- o 2011 TAB Series A - Total bond proceeds was \$4,001,993. Five percent of the bond proceeds for the Series A bonds is \$200,100; however, the Agency has already expended \$81,909. Therefore, the Agency is only eligible to expend an additional \$118,192 in Series A bond proceeds at this time. Please see the table below.
- o 2011 TAB Series B – Total bond proceeds was \$5,084,520. Five percent of the bond proceeds for the Series B bonds is \$254,226; however, the Agency has already expended \$2,363,894. Therefore, the Agency is not eligible to expend any additional Series B bond proceeds at this time. In addition, it appears the Agency has either misplaced or inappropriately spent 2011 bond proceeds in excess of what is allowed under the law. Please see the table below.

Post Compliance 2011 Excess Bond Proceed Calculation	Formula	Series A	Series B
2011 Bond Proceeds	a	\$4,001,993	\$5,084,520
Amount of 2011 Bond Proceeds spent/needed for enforceable obligations	b	-	-
Total 2011 Excess Bond Proceeds	c = a - b	4,001,993	5,084,520
5% of 2011 Excess Bond Proceeds	d = c * 0.05	200,100	254,226
2011 Bond Proceeds available for defeasance as of ROPS 16-17 pursuant to HSC section 34191.4 (c)(2)(C)	e = c - d	3,801,893	4,830,294
December 31, 2015 balance of 2011 Bond Proceeds	f	3,920,085	2,820,626
2011 Bond Proceeds available for expenditure	g = f - e	118,192	(2,009,668)

Therefore, Item No. 23 is partially allowed in the amount of \$118,191 for the July through December 2016 period (ROPS A period) from the 2011 TAB Series A. The Agency's remaining original request, \$221,750 (\$339,941 - \$118,191) is not allowed at this time.

- Item No. 39 – 2011 Loan Consolidation with a total outstanding balance of \$4,393,554 has been adjusted to \$975,000. Finance continues to make this adjustment. Finance previously determined that pursuant to HSC section 34191.4 (b), loan agreements between the former redevelopment agency (RDA) and sponsoring entity may be placed on the ROPS if the following requirements are met: (1) the Agency has received a Finding of Completion; and (2) the Agency's Oversight Board approves the loan as an enforceable obligation by finding the loan was for legitimate redevelopment purposes.

The Agency received a Finding of Completion on December 8, 2015. However, Finance only partially approved OB Resolution 2016-02 OB, the Agency resolution approving the Loan Consolidation Agreement between the City of Galt (City) and the former RDA. Of the ten loan transactions identified in the Loan Consolidation Agreement, only one satisfies the requirements for a loan as defined in HSC section 34191.4 (b) (2). Finance approved Loan 9 – City of Galt Affordable Senior Housing Project, dated February 13, 2008, in the amount of \$975,000 for repayment. Therefore, the remaining loans, with an outstanding obligation amount of \$3,418,554 (\$4,393,554 - \$975,000) are not enforceable obligations and are not

eligible for RPTTF funding. To the extent the Agency's Oversight Board reconsiders these loans and the Agency's receives an approved Oversight Board action approval from Finance, these loans may be listed on future ROPS for review.

We note, Finance has and continues to approve RPTTF funding for Loan 9 in the amount of \$195,544 for the ROPS 16-17 period.

In addition, per Finance's letter dated April 4, 2016, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

- Item No. 1 – 2011 Tax Allocation Bonds (TABs), Series A in the amount of \$567,568 has been partially reclassified. The Agency requested \$567,568 from Redevelopment Property Tax Trust Funds (RPTTF); however, Finance is reclassifying \$83,739 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 \$83,739 in available Other Funds. Therefore, Finance is approving RPTTF in the amount of \$483,829 and the use of Other Funds in the amount of \$83,739, totaling \$567,568 for the ROPS 16-17 period.
- Item No. 41 – City Loan to Successor Agency in the amount of \$2,188,172. Finance notes the Agency duplicated the requested amount in both ROPS A and ROPS B periods, thereby doubling the requested amount to \$2,188,172. As such, Finance is allowing the \$1,094,086 RPTTF requested in the ROPS A period pursuant to HSC section 34179.9 (b) (2). The remaining amount, \$1,094,086 is not allowed.

Except for the items denied in whole or in part or for the item that has been reclassified, Finance is not objecting to the remaining items listed on your ROPS 16-17.

The Agency's maximum approved RPTTF distribution for the reporting period is \$3,118,859 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.

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>

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 Evelyn Suess, Dispute Resolution Supervisor, or Danielle Brandon, Analyst, at (916) 445-3274.

Sincerely,



JUSTYN HOWARD
Program Budget Manager

cc: Ms. Michelle Neeley, Accounting Manager, City of Galt
Mr. Ben Lamera, Assistant Auditor-Controller, Sacramento 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)	\$ 1,904,020	\$ 2,142,664	\$ 4,046,684
Requested Administrative RPTTF	125,000	125,000	250,000
Total RPTTF requested for obligations on ROPS 16-17	2,029,020	2,267,664	\$ 4,296,684
Total RPTTF requested	1,904,020	2,142,664	4,046,684
<u>Denied Item</u>			
Item No. 41	0	(1,094,086)	(1,094,086)
<u>Reclassified Item</u>			
Item No. 1	(83,739)	0	(83,739)
Total RPTTF authorized	1,820,281	1,048,578	\$ 2,868,859
Total Administrative RPTTF authorized	125,000	125,000	\$ 250,000
Total RPTTF approved for distribution	1,945,281	1,173,578	\$ 3,118,859