

May 17, 2016

Mr. Matt Michaelis, Finance Director
City of Gridley
685 Kentucky Street
Gridley, CA 95948

Dear Mr. Michaelis:

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 Gridley 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 29, 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 11, 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. 4 – City loan of Community Development Block Grant funds with a total outstanding balance of \$250,000. Finance maintains the balance adjustment below for this item which was not contested by the Agency. However, Finance no longer reclassifies this item to Other Funds.

The Agency requested \$125,000 in Redevelopment Property Tax Trust Fund (RPTTF) funding for the July 1, 2016 through December 31, 2016 period (ROPS A period). According to previous ROPS Prior Period Adjustment Forms submitted by the Agency, actual expenditures reported for Item No. 4 totaled \$107,244. The Agency contends funding was used to fund payments for Item No. 1; however, Finance did not authorize funding for Item No. 1 for the previous ROPS periods. Funding was authorized for Item No. 4. Therefore, the total outstanding balance for Item No. 4 has been reduced to \$142,756 (\$250,000 - \$107,244).

Finance previously determined that Section 2 of the Reimbursement Agreement states that Agency reimbursement payments were to be funded from the pro-rata share of sale proceeds derived from the Gridley Industrial Park parcels. During the Meet and Confer the Agency contended that while these parcels were approved for sale and transfer to the City of Gridley for future development in the Agency's approved Long-Range Property Management Plan (LRPMP), the LRPMP specified that the sale proceeds

would be distributed to the affected taxing entities. While we note that this is contrary to the Reimbursement Agreement, the Reimbursement Agreement does specify that to the extent the proceeds from the sale of the properties are insufficient to repay the full amount of the loan, the Agency shall pay any remaining balances of the loan from any funds available to the Agency for that purpose. Finally, we note that the effect of this determination has a net-zero impact to the affected taxing entities. For these reasons, Finance no longer reclassifies this item to Other Funds.

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. 8 – Property Disposition costs are partially allowed. The Agency requested \$25,000 for costs associated with modifications of the parcel map. The Agency submitted supporting documents, which estimates the costs to modify parcel maps to be approximately \$18,000. Finance is approving \$18,000 in RPTTF funding, and the excess of \$7,000 (\$25,000 - \$18,000) is not eligible for RPTTF funding during the January 1, 2017 through June 30, 2016 (ROPS B period).

Except for the item denied in part, Finance is not objecting to the remaining items listed on your ROPS 16-17.

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 \$861,702 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. Ishrat Aziz-Khan , Finance, City of Gridley
Ms. Maria Solis, Auditor - Accountant, Butte County

Attachment

Approved RPTTF Distribution			
For the period of July 2016 through June 2017			
	<u>ROPS A Period</u>	<u>ROPS B Period</u>	<u>Total</u>
Requested RPTTF (excluding administrative obligations)	\$ 578,427	\$ 230,275	\$ 808,702
Requested Administrative RPTTF	30,000	30,000	60,000
Total RPTTF requested for obligations on ROPS 16-17	608,427	260,275	\$ 868,702
Total RPTTF requested	578,427	230,275	808,702
<u>Denied Item</u>			
Item No. 8	0	(7,000)	(7,000)
Total RPTTF authorized	578,427	223,275	\$ 801,702
Total Administrative RPTTF authorized	30,000	30,000	\$ 60,000
Total RPTTF approved for distribution	608,427	253,275	\$ 861,702