



May 17, 2016

Mr. Christopher J. Jicha, Senior Consultant, Kosmont Companies
City of Merced Designated Local Authority
1230 Rosecrans Avenue, Suite 300
Manhattan Beach, CA 90266

Dear Mr. Jicha:

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 15, 2016. Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Merced Designated Local Authority 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 February 8, 2016. Finance issued a ROPS determination letter on April 15, 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 28, 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. 32 – Project Area #2 Highway 59 Multi-Family Housing Project with an outstanding amount of \$2,300,000. Finance no longer denies this item; however, Finance reduces the amount requested to \$0. During the Meet and Confer, the Agency contented that pursuant to the Disposition and Development Agreement (DDA) executed between the former Redevelopment Agency (RDA) and a third-party developer, the Public Financing and Economic Development Authority (Authority), acting on behalf of the former RDA, entered into a loan agreement with the developer dated September 9, 2011. Subsequently, the Authority disbursed funds to the developer pursuant to the loan agreement.

The funds disbursed to the developer by the Authority were identified during the Low and Moderate Income Housing Fund (LMIHF) Due Diligence Review (DDR) as funds that were disbursed without Finance's authorization on a ROPS. Therefore, the amount was disallowed and required to be returned from the Authority for inclusion in the Agency's LMIHF DDR payment to the County Auditor-Controller (CAC). However, the Authority has not returned the funds to the Agency for payment to the CAC. As such, no amount is currently due or outstanding on this item. Therefore, the requested amount of \$2,300,000 in RPTTF funding is reduced to \$0.

- Item No. 100 – Gateways Tax Allocation Refunding Bonds 2015 Series A. Finance continues to partially approve this item. The Agency did not contest this item during the Meet and Confer, but requested clarification regarding the amount approved. Total debt service approved for the July 1, 2016 through December 31, 2016 period (ROPS A period) totals \$955,663. Of this amount, \$710,663 is allocated towards for the debt service payment on September 1, 2016, and \$245,000 is allocated as reserves for the following payment due.

During the period of January 1, 2016 through June 30, 2016 (ROPS 15-16B), the Agency received \$425,000 in RPTTF as reserves for the September 1, 2016 payment. Of this amount \$19,838 was applied to a portion of interest payment. The Agency has an amount of \$405,162 in reserves to allocate towards the next debt service payment on September 1, 2016. Therefore, Finance is increasing requested Reserve Balance from \$0 to \$405,162. As a result, the Agency only needs \$550,501 (\$955,663 - \$405,162) from the requested \$701,069 in RPTTF. As such, Finance is approving \$405,162 from Reserve Balance and \$550,501 from RPTTF and the excess \$150,568 (\$701,069 - \$550,501) is not eligible for RPTTF for the ROPS A period.

Furthermore, the amount of \$295,069 requested for the January 1, 2017 through June 30, 2017 period (ROPS B period) should be \$279,288. Finance continues to reduce RPTTF by \$15,781 for the ROPS B period.

- 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 Other Funds that should be used prior to requesting RPTTF. In the reported cash balances the Agency identified an amount of \$1,091,200 in Bond Proceeds; however, after further discussion with the Agency it is our understanding that this amount should be identified as unencumbered Other Funds. As such, Finance moved this balance from Bond Proceeds to Other Funds. Therefore, the funding source for the following items have been reclassified to Other Funds in the amounts specified below:
 - Item No. 10 – Project Area #2 Merced Center DDAs in the amount of \$152,000 from RPTTF. During the Meet and Confer, the Agency requested to increase the amount to \$565,978. 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 Other Funds available. Therefore, Finance is increasing the funding requested to \$565,978 and reclassifying the \$565,978 to Other Funds for the ROPS 16-17 period.
 - Item No. 76 – R Street Remediation in the amount of \$148,000 from RPTTF. During the Meet and Confer, the Agency requested to increase the amount to \$524,170. 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 Other Funds available. Therefore, Finance is increasing the funding requested to \$524,170 and reclassifying the \$524,170 to Other Funds for the ROPS 16-17 period.

Except for the items 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.

The Agency's maximum approved RPTTF distribution for the reporting period is \$3,217,289 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 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 Satveer Ark, Analyst, at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Program Budget Manager

cc: Mr. Michael Amabile, Chair, City of Merced Designated Local Authority
Ms. Sylvia Sanchez, Supervising Accountant, Merced 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)	\$ 2,312,819	\$ 3,420,819	\$ 5,733,638
Requested Administrative RPTTF	125,000	125,000	250,000
Total RPTTF requested for obligations on ROPS 16-17	2,437,819	3,545,819	\$ 5,983,638
Total RPTTF requested	2,312,819	3,420,819	5,733,638
<u>Denied Items</u>			
Item No. 32	(400,000)	(1,900,000)	(2,300,000)
Item No. 100	(150,568)	(15,781)	(166,349)
	(550,568)	(1,915,781)	(2,466,349)
<u>Reclassified Item</u>			
Item No. 10	(76,000)	(76,000)	(152,000)
Item No. 76	(74,000)	(74,000)	(148,000)
	(150,000)	(150,000)	(300,000)
Total RPTTF authorized	1,612,251	1,355,038	\$ 2,967,289
Total Administrative RPTTF authorized	125,000	125,000	\$ 250,000
Total RPTTF approved for distribution	1,737,251	1,480,038	\$ 3,217,289