

May 17, 2016

Mr. Rudolf J. Livingston, Director of Finance
City of Ojai
401 South Ventura Street
Ojai, CA 93023

Dear Mr. Livingston:

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 11, 2016. Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Ojai 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 1, 2016. Finance issued a ROPS determination letter on April 11, 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 25, 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.

- Finance maintains its adjustment to the Administrative Cost Allowance (ACA). The claimed administrative costs exceed the allowance by \$144,730. HSC section 34171 (b) (3) limits the fiscal year 2016-17 Administrative Cost Allowance (ACA) to three percent of actual distributed RPTTF from the County Auditor Controller (CAC) in the preceding fiscal year or \$250,000, whichever is greater; not to exceed 50 percent of the distributed Redevelopment Property Tax Trust Fund (RPTTF) from the CAC in the preceding fiscal year. This amount is further adjusted by the ACA and sponsoring entity loan repayments made in the preceding year. During the meet and confer, the Agency stated that Finance incorrectly calculated the ACA as it did not take into account the Prior Period Adjustment (PPA) that the Agency received during the July through December 2015 (ROPS 15-16A) and January through June 2016 (ROPS 15-16B) periods. However, HSC section 34171.4 (b) (4) did not specifically carve out an exception for PPA's in the calculation of the ACA. Based on our application of HSC section 34171.4 (b) (4), the Agency's maximum ACA is zero for the fiscal year 2016-17. Therefore, \$144,730 in administrative cost is not allowed.

In addition, per Finance's letter dated April 11, 2016, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

- Item No. 18 – Prior ROPS Payment Shortfall in the amount of \$104,201 is partially allowed. The Agency contends the Prior Period Adjustment (PPA) amounts reported for the periods July 1, 2014 through December 31, 2014 (ROPS 14-15B) and January 1, 2015 through June 30, 2015 (ROPS 14-15B) were incorrect resulting in a shortfall. Finance's review of Agency financial records found that the ROPS 14-15A PPA was correctly reported. Finance notes that the Agency's shortfall is mainly due to the use of funding on an unauthorized Supplemental Educational Augmentation Fund payment instead of the appropriate enforceable obligations. Consequently, there is no cash shortfall in the Agency Redevelopment Obligation Retirement Fund (RORF). However for ROPS 14-15B, Finance determined that there was an error in the reporting of actual administrative expenditures on the PPA Form. The Agency incorrectly reported the ROPS 15-16B requested administrative costs amount of \$77,219 as actual administrative expenditures for the ROPS 14-15B period. This error led to a ROPS 14-15B PPA in the amount of \$47,781, when it should have been zero. However, Finance will approve RPTTF funding in the amount of \$47,781 to rectify the incorrect reporting of ROPS 14-15B PPA and the remaining \$56,420 (\$104,201 – \$47,781) 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.

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 \$334,586 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 Daisy Rose, Analyst, at (916) 445-3274.

Sincerely,



JUSTYN HOWARD
Program Budget Manager

cc: Mr. Robert Clark, City Manager, City of Ojai
Ms. Rhoda Farrell, Property Tax Fiscal Manager, Ventura 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)	\$ 365,006	\$ 26,000	\$ 391,006
Requested Administrative RPTTF	73,890	70,840	144,730
Total RPTTF requested for obligations on ROPS 16-17	438,896	96,840	\$ 535,736
Total RPTTF requested	365,006	26,000	391,006
<u>Denied Item</u>			
Item No. 18	(56,420)	0	(56,420)
Total RPTTF authorized	308,586	26,000	\$ 334,586
Total Administrative RPTTF requested	73,890	70,840	144,730
Administrative costs in excess of the cap (see Administrative Cost Allowance Cap table below)	(73,890)	(70,840)	(144,730)
Total Administrative RPTTF authorized	0	0	\$ 0
Total RPTTF approved for distribution	308,586	26,000	\$ 334,586

Administrative Cost Allowance Cap Calculation	
Actual RPTTF distributed for fiscal year 2015-16	\$ 281,891
Less sponsoring entity loan and Administrative RPTTF	367,462
Actual RPTTF distributed for 2015-16 after adjustment	(85,571)
Administrative Cap for 2016-17 per HSC section 34171 (b)	0
ROPS 16-17 Administrative RPTTF after Finance adjustments	144,730
Administrative Cost Allowance in excess of the cap	\$ (144,730)