



May 17, 2016

Ms. Mindy Cuppy, City Clerk  
City of Rancho Cordova  
2729 Prospect Park Drive  
Rancho Cordova, CA 95671

Dear Ms. Cuppy:

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 Rancho Cordova 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 28, 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 20, 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. 28 – The total outstanding balance for the City of Rancho Cordova (City) Reimbursement Agreement is overstated. Finance continues to partially deny the total outstanding balance. Pursuant to HSC section 34191.4 (b) (3), interest on the remaining principal amount of the loan that was previously unpaid after the original effective date of the loan shall be recalculated from the date of origination of the loan on a quarterly basis, at a simple interest rate of three percent and repayments shall be applied first to principal, and second to interest.

The Agency contends that the outstanding balance does not include loan amounts that were advanced to the Agency for the fiscal years 2010-11 and 2011-12. Finance did not include advanced loan amounts subsequent to June 27, 2011 as these amounts do not qualify as an enforceable obligation pursuant to the Reimbursement Agreement. The Agency now states that these amounts were necessary to fund enforceable obligations due to a lack of property tax increment.

Should the Agency consider this loan an obligation pursuant to HSC section 34173 (h) (1) due to insufficient distribution from the Redevelopment Property Tax Trust Fund, or other insufficient approved sources of funding, the Agency could formally create a new loan agreement which clearly identifies a shortfall (for

specific enforceable obligations, amounts, and period in which the shortfall occurred), submit an OB Resolution approving the loan, and create a new line item. The Agency cannot attribute all loan amounts to one loan agreement as they are loans agreed upon for different reasons and could be considered obligations under different statutes which would require verification and approval from the Oversight Board.

Finally, the Agency contends that the total payment of \$93,333 approved during ROPS 15-16A was applied entirely to principal when only 80% should have been paid towards the principal and 20% of that amount should have been applied to Housing. The total amount was correctly applied to principal and the Agency is not directly responsible for the housing portion and does not qualify for another "20%" specifically for Housing. The City must take 20% from what it receives from the Agency and provide it for Housing.

Therefore, Finance maintains that the total outstanding balance in the amount of \$8,983,562 includes miscalculated interest, repayments applied to other funds prior to principal, and loan amounts that are not enforceable obligations. Therefore, Finance has recalculated the total outstanding loan balance to be \$638,805 and reduced the outstanding loan balance reported on the Agency's ROPS Detail Form by \$8,344,757.

Since the \$317,730 requested for the fiscal year does not exceed the repayment formula outlined in HSC section 34191.4 (b) (3) (A), Finance is approving the requested amount for the ROPS 16-17 period.

- Item No. 30 – City Reimbursement Agreements/Loans within the first two years totaling \$85,575. Finance continues to deny this item. According to the Agency's accounting records, the outstanding balance has been paid in full. The Agency cites a timing difference in that interest remains outstanding due to an interest payment made to the City was returned to the Agency due to Finance's review of the Other Funds Due Diligence Review. In recalculating the loan interest pursuant to HSC section 34191.4 (b) (3), interest is calculated based on the remaining principal amount that was previously unpaid after the original effective date of the loan. The Agency has already paid the entire outstanding principal of the loan; thus, no further interest payments are required. Therefore, this item is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.

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:

- The Agency's claimed administrative costs exceed the allowance by \$250,000. 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 zero for fiscal year 2016-17. Although \$250,000 is claimed for administrative cost, zero is available pursuant to the cap. Therefore, \$250,000 of excess administrative cost is not allowed.

Except for the item denied in whole or the item that has been adjusted, 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 Redevelopment Property Tax Trust Fund (RPTTF).

The Agency's maximum approved RPTTF distribution for the reporting period is zero as summarized in the Approved RPTTF Distribution Table on Page 5 (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.

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Please direct inquiries to Evelyn Suess, Dispute Resolution Supervisor, or Daisy Rose, Analyst, at (916) 445-3274.

Sincerely,



JUSTYN HOWARD  
Program Budget Manager

cc: Ms. Michelle Mingay, Senior Finance Analyst, City of Rancho Cordova  
Mr. Ben Lamera, Assistant Auditor-Controller, Sacramento County

**Attachment**

<b>Approved RPTTF Distribution</b>			
<b>For the period of July 2016 through June 2017</b>			
	<b>ROPS A Period</b>	<b>ROPS B Period</b>	<b>Total</b>
Requested RPTTF (excluding administrative obligations)	\$ 18,928	\$ 0	\$ 18,928
Requested Administrative RPTTF	125,000	125,000	250,000
<b>Total RPTTF requested for obligations on ROPS 16-17</b>	<b>143,928</b>	<b>125,000</b>	<b>\$ 268,928</b>
<b>Total RPTTF Requested</b>	<b>18,928</b>	<b>0</b>	<b>18,928</b>
<u>Denied Item</u>			
Item No. 30	(18,928)	0	(18,928)
<b>Total RPTTF authorized</b>	<b>0</b>	<b>0</b>	<b>\$ 0</b>
<b>Total Administrative RPTTF requested</b>	<b>125,000</b>	<b>125,000</b>	<b>250,000</b>
Administrative costs in excess of the cap (see Administrative Cost Allowance Cap table below)	(125,000)	(125,000)	(250,000)
<b>Total Administrative RPTTF authorized</b>	<b>0</b>	<b>0</b>	<b>\$ 0</b>
<b>Total RPTTF approved for distribution</b>	<b>0</b>	<b>0</b>	<b>\$ 0</b>

<b>Administrative Cost Allowance Cap Calculation</b>	
Actual RPTTF distributed for fiscal year 2015-16	0
Less sponsoring entity loan and Administrative RPTTF	0
Actual RPTTF distributed for 2015-16 after adjustment	0
Administrative Cap for 2016-17 per HSC section 34171 (b)	0
ROPS 16-17 Administrative RPTTF after Finance adjustments	250,000
<b>Administrative Cost Allowance in excess of the cap</b>	<b>\$ (250,000)</b>