



May 17, 2016

Ms. Chad McMullen, City Manager  
City of San Joaquin  
P.O. Box 758  
San Joaquin, CA 93660

Dear Ms. McMullen:

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 March 31, 2016. Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of San Joaquin 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 March 31, 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. 1 – Administrative Costs requested by the Agency exceeds the Administrative Cost Allowance (ACA) by \$186,442. Finance continues to deny excessive administrative costs. During the Meet and Confer process, no new information or documents were provided; however, the Agency disagreed with Finance's determination. The Agency contends they are entitled to \$186,442 in ACA based on their interpretation of HSC section 34171 (b). The Agency also requested that Finance consider expediting the repayment of their city/county loan, known as Item No. 2, to reduce the negative effects of not receiving further administrative funds.

However, the Agency's interpretation of the statute is incorrect. HSC section 34171 (b) limits the ACA to three percent of actual distributed Redevelopment Property Tax Trust Funds (RPTTF) in the preceding fiscal year or \$250,000, whichever is greater; not to exceed 50 percent of distributed RPTTF in the preceding fiscal year. In addition, dissolution law does not allow for Finance to allow an Agency to expedite city/county loan repayments. However, the Agency is eligible to submit a Last and Final ROPS, which, if approved, would allow the Agency to repay their loan in an amount equal to 15 percent of the current year's estimated residual balance. Although the Agency requests \$186,442 for the ROPS 16-17 ACA, only \$0 is available pursuant to the ACA formula. Therefore, excess administrative costs in the amount of \$186,442 are not allowed.

Except for the item 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 zero 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 final 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 Sues, Dispute Resolution Supervisor, or Mary Halterman, Analyst, at (916) 445-3274.

Sincerely,



JUSTYN HOWARD  
Program Budget Manager

cc: Ms. Diana Brooks, City Clerk, City of San Joaquin  
Mr. George Gomez, Accounting Financial Manager, Fresno 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)	\$ 0	\$ 0	\$ 0
Requested Administrative RPTTF	92,117	94,325	186,442
<b>Total RPTTF requested for obligations on ROPS 16-17</b>	<b>\$ 92,117</b>	<b>\$ 94,325</b>	<b>\$ 186,442</b>
<b>Total RPTTF Requested</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total RPTTF authorized</b>	<b>0</b>	<b>0</b>	<b>\$ 0</b>
<b>Total Administrative RPTTF requested</b>	<b>92,117</b>	<b>94,325</b>	<b>186,442</b>
Administrative costs in excess of the cap (see Admin Cost Cap table below)	(92,117)	(94,325)	(186,442)
<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	\$ 181,991
Less sponsoring entity loan and Administrative RPTTF	181,991
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	186,442
<b>Administrative Cost Allowance in excess of the cap</b>	<b>\$ (186,442)</b>