DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR
915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

REVISED

May 24, 2016

Mr. Mike Hartman, Interim Finance Director
City of Sanger
1700 7th Street
Sanger, CA 93657

Dear Mr. Hartman:

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 12, 2016. Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Sanger 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 12, 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.

- ROPS 15-16A unfunded liabilities in the amount of $44,859 (not requested on ROPS 16-17). It is our understanding that subsequent to ROPS 16-17 submission the Agency discovered that certain enforceable obligations approved during ROPS 15-16A period remain unfunded. Therefore, during Meet and Confer the Agency contested that ROPS 15-16A Redevelopment Property Tax Trust Fund (RPTTF) distribution as authorized was insufficient due to Finance's calculation error of available Other Funds as per Cash Balance form review. Specifically, Finance reclassed $53,388 from RPTTF to Other Funds which allegedly was not available as it represented a portion of ROPS 14-15B Prior Period Adjustment amount, therefore reducing the amount of RPTTF available to the Agency to pay its authorized enforceable obligations for that period. Although, a determination related to this matter is unobtainable at this time, because there is no line item in the 16-17 ROPS for which the Agency is contesting our determination, Finance will continue to work with the Agency regarding this matter when the request for unfunded liabilities is placed on the subsequent ROPS as a separate line item.

In addition, per Finance's letter dated April 12, 2016, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

- Item No. 4 – Supplemental Educational Revenue Augmentation Fund (SERAF) - Housing Fund Borrowing in total outstanding obligation amount of $42,879. It is our understanding the Agency has paid off the SERAF loan. Therefore, at the Agency's request, the requested $42,879 is not eligible for RPTTF funding, and this item has been retired.

- Item No. 5 – Year End Audit costs. It is our understanding the Agency forgot to request funding for this item. Therefore, at the Agency's request and based on the review of the documentation provided, RPTTF funding in the amount of $3,100 has been approved for this item.

- Item No. 13 – Loan between the City of Sanger and the Agency in the amount of $32,833 has been adjusted. The maximum repayment amount authorized for fiscal year 2016-17 is $233,992. Because the amount requested for the SERAF, above, was requested in error, the Agency requested, and Finance approved, the increase in this item by $201,159, from $32,833 to $233,992 from the RPTTF.

- Item No. 14 – Union Bank Trustee Fees in the amount of $5,000 has been adjusted. It is our understanding the Agency requested $2,500 in error. Therefore, at the Agency's request, RPTTF funding for this item has been reduced by $2,500 in the January 1, 2017 through June 30, 2017 period (ROPS B period).

- The Agency's claimed administrative costs exceed the allowance by $84,969. 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. This amount is further reduced by the prior year ACA and payments made on sponsoring entity loans. As a result, the Agency's maximum ACA is $165,031 for the fiscal year 2016-17. Although $250,000 is claimed for administrative cost, only $165,031 is available pursuant to the cap. Therefore, $84,969 of excess administrative cost is not allowed.

Except for the items denied in whole or in part or the items that have 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 RPTTF.

The Agency's maximum approved RPTTF distribution for the reporting period is $757,596 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 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 Nicole Prisakar, at (916) 445-3274.

Sincerely,

JUSTYN HOWARD
Program Budget Manager

cc: Mr. Tim Chapa, City Manager, City of Sanger
Ms. Patty Hartman, City of Sanger
Mr. George Gomez, Accounting Financial Manager, Fresno 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)	$ 412,909	$ 20,776	$ 433,685
Requested Administrative RPTTF	125,000	125,000	250,000
Total RPTTF requested for obligations on ROPS 16-17	537,909	145,776	**$ 683,685**
Adjustments to Agency requested RPTTF			
Item No. 5	3,100	0	3,100
Item No. 13	42,879	158,280	201,159
Total RPTTF adjustments	45,979	158,280	**$ 204,259**
Total RPTTF requested	458,888	179,056	**637,944**
Denied Items			
Item No. 4	(42,879)	0	(42,879)
Item No. 14	0	(2,500)	(2,500)
Total RPTTF authorized	416,009	176,556	**$ 592,565**
Total Administrative RPTTF requested	125,000	125,000	**250,000**
Administrative costs in excess of the cap (see Administrative Cost Allowance Cap table below)	0	(84,969)	(84,969)
Total Administrative RPTTF authorized	125,000	40,031	**$ 165,031**
Total RPTTF approved for distribution	541,009	216,587	**$ 757,596**

Administrative Cost Allowance Cap Calculation	
Actual RPTTF distributed for fiscal year 2015-16	$ 586,422
Less sponsoring entity loan and Administrative RPTTF	256,361
Actual RPTTF distributed for 2015-16 after adjustment	330,061
Administrative Cap for 2016-17 per HSC section 34171 (b)	250,000
ROPS 16-17 Administrative RPTTF after Finance adjustments	165,031
Administrative Cost Allowance in excess of the cap	**$ 84,969**