



December 18, 2012

Ms. Inez Kiriu, Finance Director
City of Galt
380 Civic Drive
Galt, CA 95670

Dear Ms. Kiriu:

Subject: Recognized Obligation Payment Schedule

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated October 6, 2012. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Galt Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on August 23, 2012 for the period of January 1 through June 30, 2013. Finance issued its determination related to those enforceable obligations on October 6, 2012. Subsequently, the Agency requested a Meet and Confer session on one or more of the items denied by Finance. The Meet and Confer session was held on November 14, 2012.

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 items being disputed.

- Item Nos. 14 and 17 – Contracts between the City and Callander Associates totaling \$118,518 bond funds. Finance continues to deny the items. Finance denied the items as the former redevelopment agency (RDA) was not a party to the contracts. The Agency indicated that a validation judgment related to a cooperation agreement between the City and the Agency makes the contracts between the City and Callander an enforceable obligation. However, the October 2011 judgment, which validates the cooperative agreement between the City and the former RDA by finding it is "in all respects valid and binding upon the respective parties" says nothing *specifically* about the agreement being an enforceable obligation for purposes of ABx1 26/AB 1484. Therefore, we continue to deny the items.

We also note that pursuant to HSC section 34191.4 (c), successor agencies that have been issued a Finding of Completion by Finance will be allowed to use excess proceeds from bonds issued prior to December 31, 2010 for the purposes for which the bonds were issued. Successor agencies are required to defease or repurchase on the open market for cancellation any bonds that cannot be used for the purpose they were issued or if they were issued after December 31, 2010. The bond proceeds requested for use were issued after December 31, 2010. Therefore, according to the law the excess proceeds cannot be utilized.

- Item No. 23 – Project Delivery Cost in the amount of \$7.4 million bond funds. Finance continues to deny the item. There are no contracts in place for the various projects.

Therefore, this item is not an enforceable obligation. We also note that pursuant to HSC section 34191.4 (c), successor agencies that have been issued a Finding of Completion by Finance will be allowed to use excess proceeds from bonds issued prior to December 31, 2010 for the purposes for which the bonds were issued. Successor agencies are required to defease or repurchase on the open market for cancellation any bonds that cannot be used for the purpose they were issued or if they were issued after December 31, 2010. The bond proceeds requested for use were issued after December 31, 2010. Therefore, according to the law the excess proceeds cannot be utilized.

- Item No. 25 – City General Fund Loan in the amount of \$257,814. Finance continues to deny the item. In the event that the Agency does not receive sufficient Redevelopment Property Tax Trust Fund (RPTTF) funding in a given ROPS period the City is authorized to loan funds to the Agency to pay for approved enforceable obligations. However, this loan was made in order to pay for the July 12, 2012 residual payment demand. As such, it is not an enforceable obligation and is not eligible for RPTTF funding on this ROPS. Nevertheless, we do recognize that the Sacramento County Auditor-Controller utilized the incorrect ROPS number to calculate the Agency's residual demand payment. Therefore, we will be addressing this issue through a separate process in order to correct the error.
- Item Nos. 24 and 26 – Administrative cost claimed exceeds the allowance by \$491,721. Finance originally denied this amount, as it was believed the Agency exceeded its administrative cost cap. As it relates to Item 24, after reviewing additional information from the Agency, Finance notes that the Agency received only \$79 from their July through December 2012 ROPS for administrative costs. As such, \$249,921 is available for the January through June 2013 ROPS period. As it relates to Item 26, Finance concurs with the Agency that they received only \$8,200 in administrative costs during the ROPS I period. The difference between the authorized amount and the actual receipts totaling \$241,800 is eligible for RPTTF as an enforceable obligation and should have been listed under the RPTTF column on the ROPS instead of the admin allowance column. Therefore, this amount has been added back to the approved RPTTF amount.
- Item No. 27 – Cosumnes Community Services District Lawsuit Settlement Pass through payment in the amount of \$6.8 million. Finance originally denied this item as HSC section 34182 (c) (3) directs the county auditor-controller to prepare estimates of amounts of property tax to be allocated and disturbed, and the amounts of pass through payments to be made, in the upcoming six-month period. The Agency indicated that this was not a pass-through payment being made by the county auditor-controller and was instead a settlement/judgment pursuant to HSC section 34171 (d) (1) (D). At this time, Finance is no longer denying this Item. However, Finance plans to revisit this Item for further review during the next ROPS period.

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is \$1,430,653 as summarized below:

| | |
|---|---------------------|
| Total RPTTF funding requested for obligations | \$ 1,196,746 |
| Less: Six-month total for items denied or reclassified as administrative cost | |
| Item 25 | 257,814 |
| Item 26* | (241,800) |
| Total approved RPTTF for enforceable obligations | <u>\$ 1,180,732</u> |
| Plus: Allowable RPTTF distribution for administrative cost for ROPS III | <u>249,921</u> |
| Total RPTTF approved: | \$ 1,430,653 |

*Administrative costs previously denied but reversed.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS III form the estimated obligations and actual payments associated with the January through June 2012 period. The amount of RPTTF approved in the above table will be adjusted by the county auditor-controller to account for differences between actual payments and past estimated obligations. Additionally, these estimates and accounts are subject to audit by the county auditor-controller and the State Controller.

The amount available from the RPTTF is the same as the property tax increment that was available prior to enactment of ABx1 26 and AB 1484. This amount is not and never was an unlimited funding source. 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 successor agency in the RPTTF.

Except for items disallowed as noted above, Finance is not objecting to the remaining items listed in your ROPS III. Obligations deemed not to be enforceable shall be removed from your ROPS. This is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2013. Finance's determination is effective for this time period only and should not be conclusively relied upon for future periods. All items listed on a future ROPS are subject to a subsequent review and may be denied even if it was or was not questioned on this ROPS or a preceding ROPS.

Please direct inquiries to Evelyn Suess, Dispute Resolution Supervisor or Danielle Brandon, Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Ms. Michelle Neeley, Accounting Manager, City of Galt
Mr. Carlos Valencia, Senior Accounting Manager, Sacramento County
California State Controller's Office