



May 17, 2013

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

Dear Ms. Kiri:

Subject: Recognized Obligation Payment Schedule

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated April 1, 2013 Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Galt Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14A) to the California Department of Finance (Finance) on February 15, 2013 for the period of July through December 2013. 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 *April 30, 2013*.

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 items being disputed.

- Item No. 35 – Project Delivery Costs payable to Various Payees in the amount of \$6,653,151 in 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. This item was also denied in Finance's ROPS determination letter dated December 18, 2012 for the January through June 2013 ROPS period.

We 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, this item is not an enforceable obligation.

- Item No. 29 – Project Related Employee Costs payable to the City of Galt (City) in the amount of \$15,000. These are employee costs associated with bond projects referenced in the bullet point above. As the use of the bond proceeds for those projects is not an enforceable obligation, the employees costs associated those projects are also not enforceable and not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.

In addition, per Finance's ROPS letter dated April 1, 2013, the following items not contested by the Agency during the Meet and Confer continue to be denied:

- Item No. 7 – Project Delivery Costs payable to the Bank of New York in the amount of \$90,640. The Agency requested removal of this item from the ROPS 13 -14A period because funding was received during the ROPS period January through June 2013.
- Item Nos. 8, 10, 11 and 33 payable to various parties totaling \$180,907 are considered general administrative costs and have been reclassified. Although the reclassification increased administrative costs to \$180,907, the administrative cost allowance has not been exceeded.
- Item No. 34 – Project Delivery Costs payable to Connerly and Associates in the amount of \$41,049. HSC section 34176 (a) (1) states if a city, county, or city and county elects to retain the authority to perform housing functions previously performed by a RDA, all rights, powers, duties, obligations, and housing assets shall be transferred to the city, county, or city and county. Since the City assumed the housing functions, the administrative costs associated with the housing function is the responsibility of the housing successor. Therefore, the item is not an enforceable obligation and not eligible for RPTTF funding.

Except for items disallowed as noted above, Finance is not objecting to the remaining items listed in your ROPS 13-14A. Obligations deemed not to be enforceable shall be removed from your ROPS.

The Agency's maximum approved RPTTF distribution for the reporting period is \$1,245,454 as summarized on the following page:

Approved RPTTF Distribution Amount	
For the period of July through December 2013	
Total RPTTF funding requested for obligations	\$ 1,171,243
Minus: Six-month total for items denied or reclassified as administrative cost	
Item 7	2,240
Item 8*	5,000
Item 10*	15,000
Item 11*	15,000
Item 29	7,500
Item 33*	20,907
Item 34	41,049
Total approved RPTTF for enforceable obligations	\$ 1,064,547
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost	180,907
Minus: ROPS II prior period adjustment	-
Total RPTTF approved for distribution:	\$ 1,245,454

*Reclassified as administrative cost

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2012 period. HSC Section 34186 (a) also specifies that the prior period adjustments self-reported by successor agencies are subject to audit by the county auditor-controller (CAC) and the State Controller. The amount of RPTTF approved in the above table includes the prior period adjustment that was self-reported by the Agency and the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment. Please refer to the worksheet used by the CAC to determine the audited prior period adjustment for the Agency:

<http://www.dof.ca.gov/redevelopment/ROPS/view.php>

Please refer to the ROPS III schedule that was used to calculate the approved RPTTF amount:

<http://www.dof.ca.gov/redevelopment/ROPS/ROPS III Forms by Successor Agency/>

This is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 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 denied on this ROPS or a preceding ROPS. The only exception is for those items that have received a Final and Conclusive determination from Finance pursuant to HSC 34177.5 (i). Finance's review of items that have received a Final and Conclusive determination is limited to confirming the scheduled payments as required by the obligation.

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

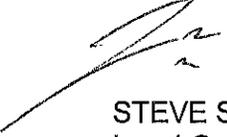
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ROPS with property tax is limited to the amount of funding available to the successor agency in the RPTTF.

To the extent proceeds from bonds issued after December 31, 2010 exist and are not encumbered by an enforceable obligation pursuant to 34171 (d), HSC section 34191.4 (c)(2)(B) requires these proceeds be used to defease the bonds or to purchase those same outstanding bonds on the open market for cancellation.

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