



May 16, 2014

Ms. Cruz W. Ramos, City Manager  
City of San Joaquin  
P.O. Box 758  
San Joaquin, CA 93660

Dear Ms. Ramos:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 7, 2014. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of San Joaquin Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15A) to Finance on February 26, 2014, for the period of July through December 2014. Finance issued a ROPS determination letter on April 7, 2014. 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 21, 2014.

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 Nos. 2 and 3 – Loan Agreement between the City of San Joaquin (City) and the Agency in the amount of \$1,028,723. At the Agency's request, funding for these items has been reclassified to the Redevelopment Property Tax Trust Fund (RPTTF).

The Agency received a Finding of Completion from Finance on March 8, 2013, and has met the criteria outlined in HSC section 34191.4 (b), which allows City loans as enforceable obligations. The Agency requests loan repayment in the amount of \$19,395 for Item No. 2 and \$4,849 for Item No. 3, totaling \$24,244. However, the Agency is not required to split the loan repayment on the ROPS in order to satisfy the requirement set forth in HSC section 34191.4 (b) (2) (C) for the Low and Moderate Income Housing Asset Fund (LMIHAF). Therefore, we combined these items into one line item, Item No. 2, and are approving \$24,244 payable from RPTTF funding.

During the Meet and Confer process, the Agency requested further clarification on whether the 20 percent to be deposited in the LMIHAF should be deducted from the outstanding loan balance and if the Agency can accelerate the repayments since this will be the only item left on the ROPS. To clarify, the full repayment amount of \$24,244 as requested on the ROPS should be deducted from the outstanding balance and 20 percent of this amount should be deposited in the LMIHAF. Additionally, HSC section 34191.4 (b) (2) (A) states that the maximum repayment amount authorized each fiscal

year shall be equal to one-half of the increase between “the amount distributed” to the taxing entities in that fiscal year and the amount distributed to taxing entities in the 2012-13 base year. This repayment formula as defined in statute does not allow any exceptions to accelerate repayment of these loans. However, Finance notes that the Agency is currently claiming \$80,197 in administrative costs. If the Agency were to claim less in administrative costs, given the number of enforceable obligations on the Agency’s ROPS, they may be able to increase the amount distributed to the taxing entities, which would presumably increase the maximum repayment amount in future years.

- Item No. 4 – Loan Agreement between the City and the Agency in the amount of \$9,477. Finance continues to deny this item. At the Agency’s request, funding for this item has been reclassified to the RPTTF instead of RPTTF administrative cost. Pursuant to HSC section 34173 (h), the city or county that authorized the creation of a redevelopment agency may loan or grant funds to an Agency if the Agency did not receive sufficient RPTTF to fund enforceable obligations and administrative costs. However, these loans are subject to the approval of the Oversight Board (OB). Finance initially denied this item because we received Successor Agency Resolution No. SA 14-03, but not an OB approval.

During the Meet and Confer process, the Agency provided Oversight Board Resolution No. OB 14-04 to approve a loan from the City in the amount of \$9,477 for the July to December 2013 (ROPS 13-14A) period. The Agency reported expenditures of \$74,950 for the ROPS 13-14A period; however, Finance only approved \$65,743 for the ROPS 13-14A period. Per HSC section 34177 (a) (3), only those payments listed on a ROPS may be made by the Agency from the funds specified on the ROPS. However, Finance notes that the over expenditure of \$9,477 is related to the administrative allowance, which is an enforceable obligation for the ROPS 14-15A period. Since the Agency has not exceeded the administrative allowance for the 2014-15 fiscal year, the administrative allowance will be increased by \$9,477 in ROPS 14-15A to cover the expenditures incurred.

HSC sections 34177 (a) (4) and 34173 (h) provide mechanisms when Agency payments must exceed the amounts authorized by Finance. Please ensure the proper expenditure authority is received from your OB and Finance prior to making payments on enforceable obligations.

Additionally, the Agency does not appear to be submitting OB resolutions to Finance as required pursuant to HSC section 34179 (h), which states “written notice and information about all actions taken by an [OB] shall be provided to the department by electronic means and in a manner of the department’s choosing.” See the Common RDA Dissolution Questions and Answers section available on Finance’s website for further information on how to submit OB resolutions.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 14-15A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2013 period. The amount of RPTTF approved in the table below includes the prior period adjustment self-reported by the Agency. HSC section 34186 (a) also specifies prior period adjustments self-reported by successor agencies are subject to audit by the county auditor-controller (CAC) and the State Controller. Any proposed CAC adjustments were not received in time for inclusion in this letter. Therefore,

the amount of RPTTF approved in the table below only includes the prior period adjustment self-reported by the Agency.

Except for the items that have been reclassified, Finance is not objecting to the remaining items listed on your ROPS 14-15A. The Agency's maximum approved RPTTF distribution for the reporting period is \$113,918 as summarized below:

<b>Approved RPTTF Distribution For the period of July through December 2014</b>	
Total RPTTF requested for non-administrative obligations	0
Total RPTTF requested for administrative obligations	123,395
<b>Total RPTTF requested for obligations</b>	<b>\$ 123,395</b>
<b>Total RPTTF requested for non-administrative obligations</b>	<b>0</b>
<u>Reclassified Items</u>	
Item No. 2	24,244
<b>Total RPTTF authorized for non-administrative obligations</b>	<b>\$ 24,244</b>
<b>Total RPTTF requested for administrative obligations</b>	<b>123,395</b>
<u>Reclassified Items</u>	
Item No. 2	(19,395)
Item No. 3	(4,849)
	(24,244)
<u>Denied Items</u>	
Item No. 4	(9,477)
<b>Total RPTTF authorized for administrative obligations</b>	<b>\$ 89,674</b>
<b>Total RPTTF authorized for obligations</b>	<b>\$ 113,918</b>
ROPS 13-14A prior period adjustment	0
<b>Total RPTTF approved for distribution</b>	<b>\$ 113,918</b>

Please refer to the ROPS 14-15A schedule that was used to calculate the approved RPTTF amount:

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

This is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2014. This determination only applies to items where funding was requested for the six-month period. 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 section 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 amount of 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.

To the extent proceeds from bonds issued after December 31, 2010 exist and are not encumbered by an enforceable obligation pursuant to HSC section 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 Mary Halterman, Analyst, at (916) 445-1546.

Sincerely,



JUSTYN HOWARD  
Assistant Program Budget Manager

cc: Ms. Diana Brooks, City Clerk, City of San Joaquin  
Mr. George Gomez, Accounting Financial Manager, Fresno County  
California State Controller's Office