DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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March 28, 2014

Ms. Deborah Sultan, Finance Director
City of Sanger
1700 7th Street
Sanger, CA 93657

Dear Ms. Sultan:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Sanger Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15A) to the California Department of Finance (Finance) on February 11, 2014 for the period of July through December 2014. Finance has completed its review of your ROPS 14-15A, which may have included obtaining clarification for various items.

HSC section 34171 (d) defines enforceable obligations. Based on a sample of line items reviewed and application of the law, the following does not qualify as an enforceable obligation for the reasons specified:

- Item No. 5 – Year End Audit in the amount of $5,000. The Agency requested $5,000; however, according to the audit service fee schedule, the total amount due to the Agency during the ROPS 14-15A period is only $2,900. Additionally, this type of service is considered a general administrative cost and has been reclassified. Therefore, the funding request has been reduced by $2,100 ($5,000 - $2,900) to $2,900, payable from the Redevelopment Property Tax Trust Fund (RPTTF).

During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should be used prior to requesting RPTTF. Pursuant to HSC section 34177 (l) (1) (E), RPTTF may be used as a funding source, but only to the extent no other funding source is available or when payment. The Agency provided financial records that displayed available Other Funds totaling $15,524. Therefore, with the Agency's concurrence, the funding source for the following items have been reclassified and in the amounts specified below:

- Item No. 3 – 1995 Series B Subordinate Tax Allocation Bonds in the amount of $82,500. The Agency requests $82,500 from RPTTF; however Finance is reclassifying $15,524 to Other Funds. This item is an enforceable obligation for the ROPS 14-15A period. However, the obligation does not require payment from property tax revenues and the Agency has $15,524 in available Other Funds. Therefore, Finance is approving RPTTF in the amount of $66,976 and the use of Other Funds in the amount of $15,524, totaling $82,500 for this item.

- Item No. 9 – Successor Agency Administrative Costs in the amount of $2,897. HSC section 34183 (a) (2) states the priority of payments such that other obligations are required to be paid prior to administrative costs. Therefore, Finance has applied $2,897 in

Other Funds to Item No. 3 (as identified in the previous bullet) and is approving $2,897 in Administrative Cost Allowance funding for this item. It is noted that although this adjustment increases the administrative costs claimed, they are within the fiscal year administrative cap pursuant to HSC section 34171 (d).

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 item denied in part as an enforceable obligation and for the items that have been reclassified, Finance is not objecting to the remaining items listed on your ROPS 14-15A. If you disagree with the determination with respect to any items on your ROPS 14-15A, you may request a Meet and Confer within five business days of the date of this letter. The Meet and Confer process and guidelines are available at Finance's website below:

http://www.dof.ca.gov/redevelopment/meet_and_confer/

The Agency's maximum approved RPTTF distribution for the reporting period is $515,314 as summarized below:

Approved RPTTF Distribution For the period of July through December 2014		
Total RPTTF requested for non-administrative obligations		407,938
Total RPTTF requested for administrative obligations		117,103
Total RPTTF requested for obligations	**$**	**525,041**
Total RPTTF requested for non-administrative obligations		**407,938**
Reclassified Item		
Item No. 3		(7,897)
Cash Balances - Item reclassified to other funding sources		
Item No. 3		(7,627)
Total RPTTF authorized for non-administrative obligations	**$**	**392,414**
Total RPTTF requested for administrative obligations		**117,103**
Reclassified Items		
Item No. 5		5,000
Item No. 9		2,897
		7,897
Denied Item		
Item No. 5		(2,100)
Total RPTTF authorized for administrative obligations	**$**	**122,900**
Total RPTTF authorized for obligations	**$**	**515,314**
ROPS 13-14A prior period adjustment		0
Total RPTTF approved for distribution	**$**	**515,314**

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

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

Absent a Meet and Confer, 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 Nichelle Thomas, Supervisor or Alexander Watt, Lead Analyst at (916) 445-1546.

Sincerely,

JUSTYN HOWARD
Assistant Program Budget Manager

cc: Mr. Brian Haddix, City Manager, City of Sanger
Mr. George Gomez, Accounting Financial Manager, Fresno County
California State Controller's Office