



May 31, 2012

Inez Kiriu, Director of Finance  
City of Galt  
380 Civic Drive  
Galt, CA 95632

Dear Ms. Kiriu:

Subject: Recognized Obligation Payment Schedule Approval Letter

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the City of Galt Successor Agency submitted Recognized Obligation Payment Schedules (ROPS) to the California Department of Finance (Finance) on May 18, 2012 for the periods January to June 2012 and July to December 2012. Finance is assuming appropriate oversight board approval. Finance has completed its review of your ROPS, which may have included obtaining clarification for various items.

HSC section 34171 (d) lists enforceable obligation (EO) characteristics. Based on a sample of line items reviewed and application of the law, the following do not qualify as EOs:

January through June ROPS:

- Page 1, line items 3 and 4 totaling \$7.0 million. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city that created the redevelopment agency (RDA) and the former RDA are not enforceable unless the loan agreements were entered into within the first two years of the date of the creation of the RDA. It is our understanding that these loans were not made within the first two years of the RDA's establishment in 1981.
- Page 1, line item 5 in the amount of \$35,500. County administrative fees are deducted by the county auditor controller prior to disbursement of tax allocation funds.
- Administrative costs exceed allowance by \$150,200. HSC section 34171 (b) limits the 2011-12 administrative cost allowance to five percent of the property tax allocated to the successor agency or \$250,000, whichever is greater. Five percent of the property tax allocated is \$61,646. Therefore, the administrative cost allowance is \$250,000. The following items are considered administrative costs:

Page	Item	Description	Amount
3	1	Membership Dues	\$2,400
3	2	Books	500
3	3	Office Supplies	550
3	4	Flyers	100
3	5	Color Copy Machine	200
3	6	Postage Meter	100

Page	Item	Description	Amount
3	7	Postage	250
3	8	Support Services	142,000
3	9	Membership Dues	2,400
3	10	Books	500
3	11	Office Supplies	550
3	12	Flyers	100
3	13	Color Copy Machine	200
3	14	Postage Meter	100
3	15	Postage	250
3	16	Administrative Costs	250,000
		<b>Total:</b>	<b>\$400,200</b>

July through December ROPS:

- Page 1, line items 3 and 4 totaling \$7.0 million. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city that created the RDA and the former RDA are not enforceable unless the loan agreements were entered into within the first two years of the date of the creation of the RDA. It is our understanding that these loans were not made within the first two years of the RDA's establishment in 1981.

Except for items disallowed in whole or in part as enforceable obligations noted above, Finance is approving the remaining items listed in your ROPS for both periods. This is our determination with respect to any items funded from the Redevelopment Property Tax Trust Fund (RPTTF) for the June 1, 2012 property tax allocations. If your oversight board disagrees with our determination with respect to any items not funded with property tax, any future resolution of the disputed issue may be accommodated by amending the ROPS for the appropriate time period. Items not questioned during this review are subject to a subsequent review, if they are included on a future ROPS. If an item included on a future ROPS is not an enforceable obligation, Finance reserves the right to remove that item from the future ROPS, even if it was not removed from the preceding ROPS.

Please refer to Exhibit 12 at [http://www.dof.ca.gov/assembly\\_bills\\_26-27/view.php](http://www.dof.ca.gov/assembly_bills_26-27/view.php) for the amount of RPTTF that was approved by Finance based on the schedule submitted.

As you are aware the amount of available RPTTF is the same as the property tax increment that was available prior to ABx1 26. 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 in the RPTTF.

Please direct inquiries to Evelyn Suess, Supervisor or Michael Barr, Lead Analyst at (916) 322-2985.

Sincerely,



MARK HILL  
Program Budget Manager

cc: Mr. Ben Lamera, Assistant Auditor Controller, Sacramento County Auditor Controller