



May 17, 2019

Mr. Michael Antwine, Assistant City Manager
City of Novato
922 Machin Avenue
Novato, CA 94945

Dear Mr. Antwine:

Subject: 2019-20 Annual Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 15, 2019. Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the Novato Successor Agency (Agency) submitted an annual ROPS for the period July 1, 2019 through June 30, 2020 (ROPS 19-20) to Finance on February 1, 2019. The Agency requested a Meet and Confer on one or more of the determinations made by Finance. The Meet and Confer was held on April 23, 2019.

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 determination being disputed:

- Item No. 10 – 2006 Taxable Pension Obligation Bond, Series A (2006 Bonds) in the total outstanding amount of \$708,134 is not allowed. Finance continues to deny this item. It is our understanding the City of Novato (City) issued the 2006 Bonds. Finance initially denied this item because no documentation was provided to support the former Redevelopment Agency (RDA) was obligated to fund a portion of the City's 2006 Bonds debt service payment. Further, the agreement for the unfunded liability is between the City and the California Public Employees' Retirement System; the RDA is not a party.

During the Meet and Confer review, the Agency submitted a May 3, 1983 Cooperation Agreement (Agreement) between the Agency and the City. However, this Agreement does not state the Agency shall reimburse the City for costs relating to unfunded liabilities or other post-employment benefits. Further, HSC section 34171 (d) (2) states that agreement, contracts, or arrangements between the city that created the RDA and the former RDA are not enforceable unless they are loan agreements entered into within the first two years of the RDA's existence. HSC section 34171 (d) (1) (B) defines a loan as a loan of money that is legally required to be repaid pursuant to a repayment schedule or other mandatory repayment terms. The Agreement is not considered a loan agreement under dissolution law as it is a reimbursement agreement for the administrative services provided by the City.

Pursuant to HSC section 34171 (d) (1) (C), enforceable obligations include legally enforceable payments in connection with the Agency employees, such as pension payments and pension obligation debt service. However, absent a contract or agreement, the Agency's responsibility for payment of this obligation is not legally enforceable. Therefore, the requested amount of \$30,807 in Redevelopment Property Tax Trust Fund (RPTTF) is not allowed.

In addition, per Finance's letter dated April 15, 2019, we continue to make the following determination not contested by the Agency during the Meet and Confer review:

- Pursuant to HSC section 34186, successor agencies are required to report differences between actual payments and past estimated obligations. Reported differences in RPTTF are used to offset current RPTTF distributions. The amount of RPTTF approved in the table on Page 3 includes the prior period adjustment resulting from the County Auditor-Controller's review of the prior period adjustment form submitted by the Agency, as adjusted by Finance. Specifically, Finance reduced the negative total difference reported for administrative RPTTF to zero. Therefore, a prior period adjustment of \$141 will be applied to offset the approved RPTTF amount.

The Agency's maximum approved RPTTF distribution for the reporting period is \$4,460,112 as summarized in the Approved RPTTF Distribution table on Page 3 (see Attachment).

RPTTF distributions occur biannually, one distribution for the July 1 through December 31 period (ROPS A period), and one distribution for the January 1 through June 30 period (ROPS B period) based on Finance approved amounts. Since this determination is for the entire ROPS 19-20 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

This is Finance's final determination regarding the obligations listed on the ROPS 19-20. This determination only applies to items when funding was requested for the 12-month period. If a denial by Finance in a previous ROPS is currently the subject of litigation, the item will continue to be denied until the matter is resolved.

The ROPS 19-20 form submitted by the Agency and this determination letter will be posted on our website:

<http://dof.ca.gov/Programs/Redevelopment/ROPS/>

This determination is effective for the ROPS 19-20 period only and should not be conclusively relied upon for future ROPS periods. All items listed on a future ROPS are subject to review and may be denied even if not denied on this ROPS or a preceding ROPS. The only exception is for items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). Finance's review of Final and Conclusive items is limited to confirming the scheduled payments as required by the obligation.

The amount available from RPTTF is the same as the amount of property tax increment available prior to the enactment of redevelopment dissolution law. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax increment is limited to the amount of funding available to the Agency in RPTTF.

Please direct inquiries to Joshua Mortimer, Supervisor, or Cole Chev, Analyst, at (916) 322-2985.

Sincerely,



 JENNIFER WHITAKER
Program Budget Manager

cc: Mr. Regan Candelario, City Manager, City of Novato
Mr. Roy Given, Director of Finance, Marin County

Attachment

Approved RPTTF Distribution			
For the period of July 1, 2019 through June 30, 2020			
	ROPS A Period	ROPS B Period	ROPS 19-20 Total
RPTTF Requested	\$ 2,465,992	\$ 1,932,774	\$ 4,398,766
Administrative RPTTF Requested	46,147	46,147	92,294
Total RPTTF Requested	2,512,139	1,978,921	4,491,060
RPTTF Requested	2,465,992	1,932,774	4,398,766
<u>Adjustment</u>			
Item No. 10	(30,807)	0	(30,807)
RPTTF Authorized	2,435,185	1,932,774	4,367,959
Administrative RPTTF Authorized	46,147	46,147	92,294
Total RPTTF Authorized for Obligations	2,481,332	1,978,921	4,460,253
Prior Period Adjustment	(141)	0	(141)
Total RPTTF Approved for Distribution	\$ 2,481,191	\$ 1,978,921	\$ 4,460,112