



April 15, 2019

Mr. John Furtado, Finance Manager
City of Walnut Creek
1666 North Main Street
Walnut Creek, CA 94596

Dear Mr. Furtado:

Subject: 2019-20 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Walnut Creek Successor Agency (Agency) submitted an annual Recognized Obligation Payment Schedule for the period of July 1, 2019 through June 30, 2020 (ROPS 19-20) to the California Department of Finance (Finance) on January 31, 2019. Finance has completed its review of the ROPS 19-20.

Based on a sample of line items reviewed and application of the law, Finance made the following determinations:

- Item No. 1 – 2000 Tax Allocation Bonds debt service in the amount of \$20,048. The Agency requested \$20,048 from Redevelopment Property Tax Trust Fund (RPTTF) in error. According to the debt service schedule provided by the Agency, the amount requested for the January through June 2020 (ROPS 19-20B) period should be \$13,795. Therefore, to accurately reflect the correct debt service payment, Finance made an adjustment in the amount of \$6,253 to decrease the total requested amount of \$20,048 to \$13,795.
- Item No. 17 – 2000 Tax Allocation Bonds Reserve in the amount of \$238,843. The Agency requested \$238,843 from RPTTF in error. According to the debt service schedule provided by the Agency, the amount requested for the July through December (ROPS 20-21A) period should be \$228,795. Therefore, to accurately reflect the correct debt service payment, Finance made an adjustment in the amount of \$10,048 to decrease the total requested amount of \$238,843 to \$228,795.
- On the ROPS 19-20 form, the Agency reported cash balances and activity for the period July 1, 2016 through June 30, 2017 (ROPS 16-17). According to our review, the Agency has approximately \$66,961 from Reserve Balances and \$1,528 from Other Funds, totaling \$68,489, available to fund enforceable obligations on the ROPS 19-20. HSC section 34177 (l) (1) (E) requires these balances to be used prior to requesting RPTTF. Therefore, the funding source for the following item has been reclassified in the amount specified below:

- Item No. 17 – 2000 Tax Allocation Bonds Reserve in the amount of \$228,795 is partially reclassified. This item does not require payment from property tax revenues. Therefore, Finance is approving RPTTF in the amount of \$160,306, the use of Reserve Balances in the amount of \$66,961, and the use of Other Funds in the amount of \$1,528, totaling \$228,795.
- The Agency’s claimed administrative costs exceed the allowance by \$32,000. HSC section 34171 (b) (3) limits the fiscal year Administrative Cost Allowance (ACA) to three percent of actual RPTTF distributed in the preceding fiscal year or \$250,000, whichever is greater; not to exceed 50 percent of the RPTTF distributed in the preceding fiscal year. As a result, the Agency’s maximum ACA is zero for fiscal year 2019-20.

Although \$32,000 is claimed for the ACA, no ACA is available pursuant to the cap. Therefore, as noted in the table below, \$32,000 in excess ACA is not allowed:

Administrative Cost Allowance Calculation	
Actual RPTTF distributed for fiscal year 2018-19	\$0
Less distributed Administrative RPTTF	0
RPTTF distributed for 2018-19 after adjustments	0
ACA Cap for 2019-20 per HSC section 34171 (b)	0
ACA requested for 2019-20	32,000
ACA in Excess of the Cap	\$ (32,000)

Additionally, Finance notes the Oversight Board (OB) has approved an amount that appears excessive, given the number and nature of the obligations listed on the ROPS. HSC section 34179 (i) requires the OB to exercise a fiduciary duty to the taxing entities. Therefore, Finance encourages the OB to apply adequate oversight when evaluating the administrative resources necessary to successfully wind-down the Agency.

Pursuant to HSC section 34186, successor agencies s 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 4 includes the prior period adjustment (PPA) resulting from the County Auditor-Controller’s review of the PPA form submitted by the Agency. Total authorized RPTTF is insufficient to allow the entire PPA to be applied this ROPS period, resulting in an excess PPA of \$45,011 that should be applied prior to requesting RPTTF on a future ROPS.

Except for the items adjusted, Finance is not objecting to the remaining items listed on the ROPS 19-20. If the Agency disagrees with our determination with respect to any items on the ROPS 19-20, except items which are the subject of litigation disputing our previous or related determinations, the Agency 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 on our website:

<http://dof.ca.gov/Programs/Redevelopment/Meet And Confer/>

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The Agency's maximum approved RPTTF distribution for the reporting period is zero as summarized in the Approved RPTTF Distribution table on Page 4 (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.

Absent a Meet and Confer, this is our 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 the 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 the RPTTF.

Please direct inquiries to Nichelle Jackson, Supervisor, or Veronica Zalvidea, Lead Analyst, at (916) 322-2985.

Sincerely,



JENNIFER WHITAKER
Program Budget Manager

cc: Ms. Margot Ernst, Housing Manager, City of Walnut Creek
Mr. Bob Campbell, Auditor-Controller, Contra Costa 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	\$ 17,795	\$ 247,136	\$ 264,931
Administrative RPTTF Requested	15,000	17,000	32,000
Total RPTTF Requested	32,795	264,136	296,931
RPTTF Requested	17,795	247,136	264,931
<u>Adjustments</u>			
Item No. 1	0	(6,253)	(6,253)
Item No. 17*	0	(78,537)	(78,537)
	0	(84,790)	(84,790)
RPTTF Authorized	17,795	162,346	180,141
Administrative RPTTF Requested	15,000	17,000	32,000
Excess Administrative Costs	(15,000)	(17,000)	(32,000)
Administrative RPTTF Authorized	0	0	0
Total RPTTF Authorized for Obligations	17,795	162,346	180,141
Prior Period Adjustment	(17,795)	(207,357)	(225,152)
Excess Prior Period Adjustment	0	45,011	45,011
Total RPTTF Approved for Distribution	\$ 0	\$ 0	\$ 0

* \$78,537 is net adjustment of reduction of \$10,048 and reclassification of RPTTF to Reserve Balances and Other Funds of \$68,489.