



December 17, 2013

Ms. Megan Siren, Administrative Analyst
City of Auburn
1225 Lincoln Way Room 3
Auburn, CA 95603

Dear Ms. Siren:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated November 1, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Auburn Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14B) to Finance on September 27, 2013, for the period of January through June 2014. Finance issued a ROPS determination letter on November 1, 2013. 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 November 13, 2013.

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 No. 4 – Debt Reserve Funding in the amount of \$203,876. Finance continues to deny this item at this time. The Agency contends there is a deficit in the former redevelopment agency's (RDA) debt service account which occurred due to not receiving sufficient Redevelopment Property Tax Trust Fund (RPTTF) funding to make the December 2012 debt service interest payment. The Agency claims the City of Auburn (City) loaned the money to the Agency to make the required payment without drawing on the reserve held with the bond trustee. HSC section 34173 (h) allows the city that authorized the creation of the former RDA to loan funds for enforceable obligations. Finance initially denied this item as the Agency was not able to provide any documentation to support the loan.

During the Meet and Confer process, the Agency provided an Oversight Board approved Loan Agreement between the City and the Agency to repay the City \$187,564 for depositing funds in the Agency's Debt Reserve Account during the ROPS II period since the ROPS II funds received were expended on ROPS I items. However, the agreement does not identify a specific line item or items that were approved by Finance on a specific ROPS that the City was loaning funds to cover a shortfall in RPTTF. Also, the Agency received the full amount approved from the RPTTF for the ROPS II period. As such, the Agency has not adequately demonstrated the necessity for a City loan to cover a funding

shortfall during the previous period(s). Therefore, this item is not eligible for RPTTF funding at this time.

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14B form the estimated obligations and actual payments (prior period adjustments) associated with the January through June 2013 period. HSC Section 34186 (a) also specifies that the prior period adjustments self-reported by successor agencies are subject to audit by the county auditor-controller (CAC) and the State Controller. The amount from the RPTTF approved in the below table includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

Except for the item denied in part as enforceable obligation, Finance is not objecting to the remaining items listed on your ROPS 13-14B. The Agency's maximum approved RPTTF distribution for the reporting period is \$220,352 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2014	
Total RPTTF requested for non-administrative obligations	414,947
Total RPTTF requested for administrative obligations	27,250
Total RPTTF requested for obligations	\$ 442,197
Total RPTTF requested for non-administrative obligations	414,947
<u>Denied Item</u>	
Item No. 4	(203,876)
Total RPTTF approved for non-administrative obligations	211,071
Total RPTTF approved for administrative obligations	27,250
Total RPTTF approved for obligations	238,321
Total ROPS III PPA	(17,969)
Total RPTTF approved for distribution	\$ 220,352

Pursuant to HSC section 34177 (l) (1) (E), agencies are required to use all available funding sources prior to RPTTF for payment of enforceable obligations. Beginning with the ROPS 13-14B period, Finance required successor agencies to identify fund balances for various types of funds in its possession. During our ROPS 13-14B review, Finance requested financial records to support the fund balances reported by the Agency; however, Finance was unable to reconcile the financial records to the amounts reported. As a result, Finance will continue to work with the Agency after the ROPS 13-14B review period to properly identify the Agency's fund balances. If it is determined the Agency possesses fund balances that are available to pay approved obligations, the Agency should request the use of these fund balances prior to requesting RPTTF in ROPS 14-15A.

Please refer to the ROPS 13-14B schedule that was used to calculate the approved RPTTF amount:

[http://www.dof.ca.gov/redevelopment/ROPS/ROPS 13-14B Forms by Successor Agency/](http://www.dof.ca.gov/redevelopment/ROPS/ROPS%2013-14B%20Forms%20by%20Successor%20Agency/).

This is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2014. This determination applies only 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: Mr. Robert Richardson, City Manager, City of Auburn
Ms. Jayne Goulding, Managing Accountant Auditor, Placer County
California State Controller's Office