DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. ▪ GOVERNOR
915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

November 15, 2013

Ms. Stacey Winton, Administrative Analyst II
City of Davis
23 Russell Boulevard, Suite 1
Davis, CA 95616

Dear Ms. Winton:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Davis Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14B) to the California Department of Finance (Finance) on October 1, 2013 for the period of January through June 2014. Finance has completed its review of your ROPS 13-14B, 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 do not qualify as enforceable obligations for the reasons specified:

- Claimed Administrative Costs exceed the allowance by $110,000. HSC section 34171 (b) limits the fiscal year 2013-2014 administrative expenses to three percent of property tax allocated to the Agency or $250,000, whichever is greater. The Yolo Auditor-Controller's (CAC) Office distributed $235,000 of administrative costs for the July through December 2013 period, thus leaving a balance of $15,000 available for the January through June 2014 period. Although $125,000 is claimed for administrative cost, only $15,000 is available pursuant to the cap. Therefore, $110,000 of excess administrative cost is not allowed.

- Contracts and associated costs totaling $1,545,895 in bond proceeds composed of the following:

    - Downtown Parking and Streetscape Enhancements
        - Item No. 33 – Streetlight Fixtures Capital Improvement Program (CIP) 8234 in the amount of $8,322
        - Item No. 34 – Art Consultation Third Street CIP 8164 in the amount of $750
        - Item No. 35 – Bid Documents CIP 8234 in the amount of $724
        - Item No. 36 – Lighting Improvements CIP 8234 in the amount of $18,015
        - Item No. 37 – Tank House in the amount of $686
        - Item No. 46 – Public Hearing Notice Publications in the amount of $319
        - Item No. 47 – First Street Path Lighting in the amount of $6,000
        - Item No. 60 – F Street Streetscape Design in the amount of $8,209

- Item No. 62 – Personnel Cost associated with Third Street Improvements in the amount of $55,000
- Item No. 68 – Construction Contract for Third Street Improvements in the amount of $1,400,000

- Hotel/Conference Facility
  - Item No. 41 – Fiscal Consultant CIP 8226 in the amount of $15,930
  - Item No. 42 – Traffic Consultant CIP 8226 in the amount of $7,500
  - Item No. 43 – Market Consultant CIP 8226 in the amount of $20,000

- Third Street Improvements
  - Item No. 61 – Design-Storm and Water Drain for Third Street Improvements in the amount of $4,440

HSC section 34163(b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011. It is our understanding that contracts for these line items were awarded after June 27, 2011 or have not yet been awarded. Also, all items above requested bond proceeds as the funding source. Pursuant to HSC section 34191.4 (c), successor agencies that have been issued a Finding of Completion by Finance will be allowed to use bond proceeds from bonds issued prior to December 31, 2010 for the purpose for which the bonds were issued. Our records indicate the Agency has yet to receive a Finding of Completion.

In addition, if the bonds were issued after December 31, 2010, the benefits provided in HSC section 34191.4 (c) (1) do not apply. HSC section 34191.4 (c) (2) (B) requires these proceeds to be used to defease the bonds or to purchase those same outstanding bonds on the open market for cancellation. It is our understanding the requested funding source for these projects is 2011 bond proceeds. Therefore, $1,545,895 in bond proceeds is not eligible for funding these projects.

Pursuant to HSC Section 34186 (a), successor agencies were required to report the estimated obligations and actual payments (prior period adjustments) associated with the January through June 2013 period. The amount of Redevelopment Property Tax Trust Fund (RPTTF) approved in the table below includes the prior period adjustment that was self-reported by the Agency. HSC Section 34186 (a) also specifies that the prior period adjustments self-reported by successor agencies are subject to audit by the 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 includes only the prior period adjustment that was self-reported by the Agency.

Except for items denied in whole or in part as enforceable obligations, Finance is not objecting to the remaining items listed on your ROPS 13-14B. If you disagree with the determination with respect to any items on your ROPS 13-14B, 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 $1,105,177 as summarized on the next page:

Approved RPTTF Distribution Amount For the period of January through June 2014		
Total RPTTF requested for non-administrative obligations		1,428,962
Total RPTTF requested for administrative obligations		125,000
Total RPTTF requested for obligations	**$**	**1,553,962**
Total RPTTF requested for non-administrative obligations		**1,428,962**
Total RPTTF approved for non-administrative obligations		**1,428,962**
Total RPTTF requested for administrative obligations		**125,000**
Total RPTTF allowable for administrative obligations (see Admin Cost Cap table below)		**15,000**
Total RPTTF approved for obligations		**1,443,962**
ROPS III prior period adjustment		(338,785)
Total RPTTF approved for distribution	**$**	**1,105,177**
Administrative Cost Cap Calculation		
Total RPTTF for 13-14A (July through December 2013)		1,960,179
Total RPTTF for 13-14B (January through June 2014)		1,428,962
Total RPTTF for fiscal year 2013-14	**$**	**3,389,141**
Allowable administrative cost for fiscal year 2013-14 (Greater of 3% or $250,000)		250,000
Administrative allowance for 13-14A (July through December 2013)		235,000
Allowable RPTTF distribution for administrative cost for ROPS 13-14B	**$**	**15,000**

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/.

Absent a Meet and Confer, 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 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 Wendy Griffe, Supervisor or Medy Lamorena, Lead Analyst at (916) 445-1546.

Sincerely,

JUSTYN HOWARD
Assistant Program Budget Manager

cc: Ms. Kelly Fletcher, Budget Manager, City of Davis
Mr. Howard Newens, Auditor-Controller, Yolo County
California State Controller's Office