



November 13, 2013

Ms. Stacey Tamagni, Financial Analyst  
City of Folsom  
50 Natoma Street  
Folsom, CA 95630

Dear Ms. Tamagni:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Folsom Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14B) to the California Department of Finance (Finance) on September 30, 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 does not qualify as an enforceable obligation for the reasons specified:

- Item No. 11 – Parkshore Spieker Owner Participation Agreement (Agreement) in the amount of \$776,006. The reimbursement of tax increment revenues to the participating owner is to end after 10 years of commencement of the Agreement. According to the Agreement, the contract period expires after 10 years of commencement, or November 30, 2013, the current date for expiration of the Redevelopment Plan. Therefore, this line item is not an enforceable obligation, and is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.

During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that are required to be used prior to requesting RPTTF. Pursuant to HSC section 34177 (l) (1) (E), RPTTF may be used as a funding source, but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation.

In the letter dated May 17, 2013, Finance authorized the Agency to receive RPTTF in the amount of \$480,483 for Fall 2013 debt service payments for the July through December 2013 (ROPS 13-14A) period. A total of \$2,285,406 of RPTTF was received by the Agency from the Sacramento County Auditor-Controller (CAC) for the ROPS 13-14A period.

HSC section 34183 (2) (A) states debt service payments must receive first payment priority from the RPTTF allocated from the CAC. Therefore, as authorized for ROPS 13-14A, the difference, \$1,804,923 (\$2,285,406-\$480,483) should be available as Reserve Funds for the Spring 2014

debt service payments requested on ROPS 13-14B. Additionally, the Agency has self-reported an Other Funds balance of \$51,739 as of June 30, 2013.

Therefore, the funding sources for the following items have been reclassified to the funding sources and in the amounts specified below:

- Item Nos. 1 through 5 – Various Tax Allocation Bonds totaling \$1,844,800. These items were determined to be enforceable obligations for the ROPS 13-14B period. The Agency requested \$1,844,800 from RPTTF; however Finance is reclassifying a total of \$1,804,923 to Reserve Funds that were requested and remain from ROPS 13-14A. Finance specifically approved payment for these items for the January through June 2014 debt service. Therefore, the actual shortfall is only \$39,877 (\$1,844,800- \$1,804,923) or \$7,975 per line item. As a result, Finance approves RPTTF in the amount of \$39,877 and Reserve Funds in the amount of \$1,804,923, totaling \$1,844,800, for Item Nos. 1 through 5.
- Item No. 25 – Administrative Costs in the amount of \$116,000. This item was determined to be an enforceable obligation for the ROPS 13-14B period. The Agency requests \$116,000 from the administrative allowance; however Finance is reclassifying, with the Agency's consent, \$51,739 to Other Funds pursuant to the Agency's self-reported available balance. Therefore, Finance approves Administrative RPTTF in the amount of \$64,621 and Other Funds in the amount of \$51,739, totaling \$116,000 for Item No. 25.

For funding sources other than RPTTF, Finance made adjustments and/or reclassifications to the Prior Period Adjustments form to ensure consistency with the funding sources and amounts approved by Finance. HSC Section 34177 (a) (3) states that the Agency can only make payments listed on the ROPS, from the funds listed and authorized by Finance. In addition, adjustments were made to the Fund Balances form based upon information provided by the Agency during our review. Although these adjustments and/or reclassifications have no effect on the amount of RPTTF the Agency receives, they will affect the Agency's fund balances for the funds sources involved.

Based upon a review of the Agency's Prior Period Adjustment form the following reclassifications have been made:

- Item Nos. 6 through 10 – Fall 2013 debt service payment reserves totaling \$924,695 should be \$1,913,463. Finance authorized a total of \$3,252,807 from RPTTF. The Agency received \$3,786,270 for the January through June 2013 (ROPS III) period from the CAC and expended \$1,872,807 for Spring 2013 debt service payments (Item Nos. 1 through 5). Pursuant to the priority of payments stated in HSC section 34183 (2) (A), the Agency should have applied the remaining \$1,913,463 to the Fall 2013 debt service reserves only. Therefore, RPTTF expended on any other authorized enforceable obligation is disallowed due to insufficient distribution of RPTTF.
- Item Nos. 11, 12, and 16 – Parkshore Spieker Owner Participation Agreement (OPA), Kikkoman OPA, and Streetscape expenditures totaling \$500,850 should be zero. Finance authorized a total of \$704,524 from RPTTF; however, insufficient RPTTF was received from the CAC to allow for expenditures on any enforceable obligations other than debt service payments.

Based upon a review of the Fund Balances form, the following adjustments have been made:

- Beginning Available Fund Balance (Actual, January 1, 2013), Bonds Issued on or before December 31, 2010 should be \$3,023,662 and Bonds Issued on or after January 1, 2011 should be \$20,247,050. Bond proceeds and required reserves were not included in the beginning balance as reflected in the Agency's Other Funds and Accounts Due Diligence Review (DDR) dated June 30, 2012. Accordingly, Retention of Available Fund Balance (Actual, June 30, 2013) and (Estimated, December 31, 2013), Bonds Issued on or before December 31, 2010 have been changed to \$3,023,662 and Retention of Available Fund Balance (Actual, June 30, 2013) and (Estimated, December 31, 2013), Bonds Issued on or after January 31, 2011 have been changed to \$2,079,028 to reflect the retention of the required bond reserves going forward.
- Beginning Available Fund Balance (Actual, January 1, 2013), Non-Admin RPTTF in the amount of (\$487,919) should be zero. The Agency was permitted to retain \$247,710 from the DDR to cover the negative fund balance as of June 30, 2013. The remaining negative balance, which the Agency states is derived from administrative costs transferred to the City of Folsom (City) in the ROPS III period, did not exceed the amount received for administrative allowance for the July through December 2012 (ROPS II) and ROPS III periods from the CAC. Therefore, there is no negative beginning cash balance.
- Expenditures for ROPS III enforceable obligations (Actual, June 30, 2013), Non-Admin RPTTF in the amount of \$2,373,657 should be \$1,872,807 because actual RPTTF expenditures for the period should have been only for Spring 2013 debt service payments. Retention of Available Balance (Actual, June 30, 2013) in the amount of \$924,695 should be \$1,913,464 to reflect the amount retained for Fall 2013 debt service reserves pursuant to the priority of payments stated in HSC section 34183 (2) (A). Accordingly, Expenditures for ROPS 13-14A enforceable obligations (Estimate, December 31, 2013), RPTTF balances retained for bond reserves, should be \$1,913,464.
- Expenditures for ROPS 13-14A enforceable obligations (Estimate, December 31, 2013), Other Funds in the amount of \$91,739 should be zero. Finance did not authorize expenditures from Other Funds in the ROPS 13-14A period.
- Expenditures for ROPS III enforceable obligations (Estimate, December 31, 2013), Non-Admin RPTTF in the amount of \$2,248,123 should be \$480,483. Finance authorized the expenditure of \$480,483 for Fall 2013 debt service payments. As the Agency requested a total of \$1,844,800 for Spring 2014 debt service reserves and received \$2,160,406 RPTTF from the CAC, the remaining \$1,679,923 should be held as a reserve for the Spring 2014 debt service payments as authorized on ROPS 13-14A. Insufficient RPTTF was received to fund any other enforceable obligations. Accordingly, Retention of Available Fund Balance (Estimate, December 31, 2013), Non-Admin RPTTF should be \$1,913,923.

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 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 that have been reclassified, 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/](http://www.dof.ca.gov/redevelopment/meet_and_confer/)

The Agency’s maximum approved RPTTF distribution for the reporting period is \$3,625,686 as summarized below:

<b>Approved RPTTF Distribution Amount For the period of January through June 2014</b>	
Total RPTTF requested for non-administrative obligations	5,407,350
Total RPTTF requested for administrative obligations	125,000
<b>Total RPTTF requested for obligations</b>	<b>\$ 5,532,350</b>
<b>Total RPTTF requested for non-administrative obligations</b>	
<u>Denied Items</u>	
Item No. 11	\$ (50,000)
<u>Reclassified Items</u>	
Item No. 1	(213,481)
Item No. 2	(348,041)
Item No. 3	(374,734)
Item No. 4	(406,231)
Item No. 5	(462,438)
	(1,804,925)
<b>Total RPTTF approved for non-administrative obligations</b>	<b>3,552,425</b>
<b>Total RPTTF requested for administrative obligations</b>	<b>125,000</b>
<u>Reclassified Items</u>	
Item No. 25	(51,739)
	(51,739)
<b>Total RPTTF for administrative obligations</b>	<b>73,261</b>
<b>Total RPTTF approved for obligations</b>	<b>3,625,686</b>
ROPS III prior period adjustment	-
<b>Total RPTTF approved for distribution</b>	<b>\$ 3,625,686</b>

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_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 Nichelle Thomas, Supervisor or Susana Medina Jackson, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD  
Assistant Program Budget Manager

cc: Ms. Terri Hemley, Financial Services Manager, City of Folsom  
Mr. Carlos Valencia, Senior Accounting Manager, Sacramento County  
California State Controller's Office