



December 17, 2013

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

Dear Ms. Tamagni:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated November 13, 2013. 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 Finance on September 30, 2013, for the period of January through June 2014. Finance issued a ROPS determination letter on November 13, 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 21, 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. 11 – Parkshore Spieker Owner Participation Agreement (Agreement) in the amount of \$776,006. Finance no longer denies this item. Finance initially denied the item as it appeared the Agreement expired in November 2013, when the Redevelopment Plan expired. During the meet and confer, the Agency provided an amendment to the Agreement dated October 23, 2007. Our review indicates that the amendment extended the term of the Agreement to June 30, 2015. Therefore, this line item is an enforceable obligation, and is eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.
- During our initial review, Finance previously determined the Agency possesses funds that are required to be used prior to requesting RPTTF. Our review indicates these funds are not available as previously determined.

During the January through June 2013 ROPS period (ROPS III) the Agency received \$940,932 in RPTTF for debt service reserves to be used during the July through December 2013 ROPS period (ROPS 13-14A). In addition, in the letter dated May 17, 2013, Finance authorized the Agency to receive RPTTF in the amount of \$2,325,283 for debt service payments due during the July through December 2013 (ROPS 13-14A) period; however, only 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.

Therefore, we determined the Agency had \$3,226,338 (\$940,932 + \$2,285,406) available for the ROPS 13-14A period. Total debt service due during the ROPS 13-14A period was \$3,252,806.

While our review indicates a deficit for the ROPS 13-14A period debt service, the Agency self-reported an Other Funds balance of \$51,739 as of June 30, 2013. This amount should have been applied to the debt service payments. Finally, we note that the Agency estimates available funds as of December 31, 2013 will be \$49,883; however, our review indicates the RPTTF distribution to the Agency will not be sufficient to fund all enforceable obligations approved on this ROPS. As a result, we have determined a prior period adjustment is not necessary.

In addition, per Finance's letter dated November 13, 2013, we continue to make various adjustments that were not contested by the Agency during the Meet and Confer. 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 on 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 \$940,932. For Item 11 on the Prior Period Adjustment page of the ROPS 13-14B Finance approved \$140,000. The Agency reported expending \$156,237, and over expenditure of \$16,237. This amount will be added to the total reserves available for ROPS 13-14A debt service payments.

Based on 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.

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. The Agency's maximum approved RPTTF distribution for the reporting period is \$5,532,350 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2014	
Total RPTTF requested for non-administrative obligations	5,407,350
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations	\$ 5,532,350
<hr/>	
Total RPTTF approved for non-administrative obligations	5,407,350
Total RPTTF for administrative obligations	125,000
Total RPTTF approved for obligations	5,532,350
ROPS III prior period adjustment	-
Total RPTTF approved for distribution	\$ 5,532,350

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/).

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 Danielle Brandon, Analyst, at (916) 445-1546.

Sincerely,

A handwritten signature in blue ink, appearing to read 'J. Howard', with a long horizontal stroke extending to the left.

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