

November 6, 2013

Mr. Alan Flora, Deputy County Accounting Officer
Lake County
255 North Forbes Street
Lakeport, CA 95453

Dear Mr. Flora:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the Lake County Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14B) to the California Department of Finance (Finance) on September 24, 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:

- Item No. 3 – Relocation Payments in the amount of \$12,655. In ROPS 13-14A, the Agency was approved for Redevelopment Property Tax Trust (RPTTF) funding for this obligation in the amount of \$15,720. During the ROPS 13-14B review process, the Agency stated that the requested amount of \$12,655 for RPTTF funding was merely an updated estimate of costs. The Agency expects this obligation to be satisfied prior to December 31, 2013 which is at the end of the ROPS 13-14A period. Therefore, this item is not an enforceable obligation for the ROPS 13-14B period and not eligible for RPTTF funding. The Agency should report actual expenditures for this item next period on the ROPS 13-14A prior period adjustment page of ROPS 14-15A.
- Item No. 6 – Supplemental Educational Revenue Augmentation Fund Loan in the amount of \$150,000 is not allowed at this time. The Agency received a Finding of Completion on April 26, 2013. As such, the Agency may place loan agreements between the former redevelopment agency and sponsoring entity on the ROPS as an enforceable obligation, provided the oversight board makes a finding that the loan was for legitimate redevelopment purposes, per HSC section 34191.4 (b) (1). HSC section 34176 (e) (6) (B) specifies loan or deferral repayments to the Low and Moderate Income Housing Fund shall not be made prior to the 2013-14 fiscal year. However, while ROPS 13-14B falls within fiscal year 2013-14, the repayment of this city loan is subject to the repayment formula outlined in HSC section 34191.4 (b) (2) (A).

HSC section 34191.4 (b) (2) (A) allows the repayment to be equal to one-half of the increase between the ROPS residual pass-through distributed to the taxing entities in that fiscal year and the ROPS residual pass-through distributed to the taxing entities in the 2012-13 base year. Since the formula does not allow for estimates, the Agency must wait until the ROPS residual pass-through distributions are known for fiscal year 2013-14 before requesting funding for this obligation. Therefore, this item is not eligible for funding at this time.

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. The Agency provided financial records that display available reserve balances totaling \$51,885.

Therefore, the funding source for the following item is being reclassified to the funding source and in the amount specified below:

Item No. 1 – Administrative Costs in the amount of \$51,885. The Agency requests \$60,000 of RPTTF; however Finance is reclassifying \$51,885 to reserve funding. This item was determined to be an enforceable obligation for the ROPS 13-14B period. However, the Agency has available reserve funds in the amount of \$51,885. Therefore, Finance is approving the use of reserves in the amount of \$51,885 and RPTTF funding in the amount of \$8,115, totaling \$60,000 for Item No.1.

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 of RPTTF approved in the table includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

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 zero, as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2014	
Total RPTTF requested for non-administrative obligations	162,655
Total RPTTF requested for administrative obligations	60,000
Total RPTTF requested for obligations	\$ 222,655
Total RPTTF requested for non-administrative obligations	162,655
<u>Denied Items</u>	
Item No. 3	(12,655)
Item No. 6	(150,000)
Total RPTTF approved for non-administrative obligations	0
Total RPTTF requested for administrative obligations	60,000
<u>Reclassified Item</u>	
Item No. 1	(51,885)
Total RPTTF approved for administrative obligations	8,115
Total RPTTF approved for obligations	\$ 8,115
ROPS III prior period adjustment	(15,728)
Total RPTTF approved for distribution	0

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/).

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.

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Please direct inquiries to Wendy Griffe, Supervisor or Medy Lamorena, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Assistant Program Budget Manager

cc: Mr. Matt Perry, County Accounting Officer, Lake County
Ms. Cathy Saderlund, Auditor-Controller, Lake County
California State Controller's Office