



December 17, 2013

Ms. Jennifer La Liberte, Redevelopment/Economic Development Manager
City of Napa
1600 First Street
Napa, CA 94559

Dear Ms. La Liberte:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated November 8, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Napa Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14B) to Finance on September 26, 2013, for the period of January through June 2014. Finance issued a ROPS determination letter on November 8, 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 22, 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 Nos. 25 through 30 – Bond Funded Projects in the amount of \$3,397,000 payable to the City of Napa (City). Finance continues to partially deny these items. The Agency received a Finding of Completion on June 7, 2013 and is now permitted to utilize proceeds derived from bonds issued prior to December 31, 2010 in a manner consistent with the original bond covenants. During the Meet and Confer, the Agency provided additional documentation to identify and support the amount of bond funds needed during the ROPS 13/14B period for the Oversight Board approved projects.

Finance notes that the Agency may enter into contracts pursuant to HSC 34191.4 and is approved to expend excess pre-2011 bond proceeds in the following amounts during the ROPS 13-14B period:

- Item 25: China Point Overlook - \$50,000
- Item 26: Pearl Street Transit Center - \$50,000
- Item 27: Pedestrian Bridge over Napa Creek - \$25,000
- Item 28: Downtown Directional Signs - \$75,000
- Item 29: First Street/Main Street Streetscape \$1,238,000
- Item 30: Coombs Plaza Updates - \$45,000

In addition, per Finance's letter dated November 8, 2013, we continue to deny the following items not contested by the Agency during the Meet and Confer:

- Item No. 12 – City/County loan repayment in the amount of \$787,461. Finance continues to deny this item. The Agency received a Finding of Completion on June 7, 2013. As such, the Agency may place loan agreements between the former redevelopment agency and sponsoring entity on the Recognized Obligation Payment Schedule (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). However, HSC section 34176 (e) (6) (B) specifies loan or deferral repayments shall not be made prior to the fiscal year 2013-14. While ROPS 13-14B falls within fiscal year 2013-14, the repayment of these City/County loans is subject to the repayment formula outlined in HSC section 34191.4 (b) (2) (A).

HSC section 34191.4 (b) (2) (A) allows maximum repayment amounts in each fiscal year to be equal to one-half of the increase between the ROPS residual amounts distributed to the taxing entities in that fiscal year and the ROPS residual amounts 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.

- Item No. 31– Replacement Parking from Andaz Contract in the amount of \$2,124,486. The Agency provided a Parking Structure License Agreement (Agreement) between the former redevelopment agency (RDA) and Napa Sierra Associates, L.P. (Developer), which required the Developer to make lease payments to the former RDA. The Agency continues to collect the lease revenue from the Developer and the Agreement does not contain any requirements for the Agency to transfer these revenues to the City. HSC section 34177.3 states that Agencies shall lack the authority to transfer any revenues of the Agency to any other party, public or private, except pursuant to an enforceable obligation; therefore, this item is not eligible for Other Funds.

Following the submission of the Oversight Board approved ROPS 13-14B, the Agency requested to change the funding source of items 7, 8, 9, 10, and 11 in the amount of \$67,921 from reserves to RPTTF. Our review noted that the balances allowed to be retained from the Other Funds and Accounts (OFA) Due Diligence Review (DDR) was not reported on the Fund Balances form. The Agency requested and Finance approved \$2,140,499 to be retained to pay for obligations during the July through December 2012 Recognized Obligation Payment Schedule (ROPS II) period. The Agency reported actual expenditures of \$1,508,890 for the ROPS II period on the July through December 2013 ROPS (ROPS III). In addition, the Agency spent \$368,828 of Reserve Balance as noted in the prior period adjustments for the January through June 2013 ROPS. Therefore, the Agency has remaining funds from the OFA DDR in the amount of \$262,731 ($\$2,140,499 - \$1,508,890 - \$368,828$) that should be utilized for items 7, 8, 9, 10, and 11 as listed on ROPS 13-14B. Therefore, Agency's request to change the funding source for those items is not approved.

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 county

auditor-controller (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 and the following adjustments that were made by Finance.

- Self-reported prior period adjustment (PPA) of \$108,436 has been reduced to \$89,711. The ROPS 13-14B form was set to compute the prior period adjustment (PPA) on a line-item basis. Finance reviewed the PPA for the administrative costs to ensure the adjustment is made only if the Agency's total administrative expenses were under the total authorized administrative allowance. Therefore, the ROPS III prior period adjustment for administrative cost was adjusted by \$18,725. This adjustment was necessary to account for the administrative costs approved by Finance and to recognize the three percent, or \$250,000 administrative cost allowance authorized by HSC section 34171 (b).

Except for items denied in whole or in part as enforceable obligations or 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 \$2,727,203 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2014	
Total RPTTF requested for non-administrative obligations	2,741,451
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations	\$ 2,866,451
Total RPTTF requested for non-administrative obligations	2,741,451
<u>Denied Items</u>	
Item No.12	(49,537)
Total RPTTF approved for non-administrative obligations	2,691,914
Total RPTTF approved for administrative obligations	125,000
Total RPTTF approved for obligations	2,816,914
Self-Reported ROPS III prior period adjustment (PPA)	(108,436)
Adjustment to ROPS III PPA	18,725
Total ROPS III PPA	(89,711)
Total RPTTF approved for distribution	\$ 2,727,203

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 Derk Symons, Analyst, at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Assistant Program Budget Manager

cc: Ms. Roberta Raper, Finance Director, City of Napa
Mr. Bob Minahen, Assistant Auditor Controller, Napa County
California State Controller's Office