DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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December 17, 2013

Ms. Allison Carlos, Principal Management Analyst
Placer County
175 Fulweiler Avenue
Auburn, CA 95603

Dear Ms. Carlos:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter October 21, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the Placer County Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14B) to Finance on September 6, 2013, for the period of January through June 2014. Finance issued a ROPS determination letter on October 21, 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 October 28, 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. 7 – Goodwin Consulting contract in the amount of $25,000. Finance no longer denies $9,500 of this item. Finance initially denied this item as the documentation provided by the Agency indicated that the contract for this line item had not been executed. During the Meet and Confer process, the Agency provided the approved agreement with Goodwin Consulting to provide bond disclosure services. However, the agreement is for $9,500, not $11,000 as requested for the upcoming six-month period. Therefore, this item is an enforceable obligation and is eligible for $9,500 of Redevelopment Property Tax Trust Fund (RPTTF) funding. However, Finance continues to deny the remaining $1,500.

- Item No. 14 – Property Maintenance in the amount of $101,980 from the RPTTF and $30,000 from Other Funds. Finance no longer denies $100,061 from the RPTTF and $30,000 from Other Funds for this item. HSC section 34171 (d) (1) (F) states that enforceable obligations include contracts or agreements necessary for maintaining assets prior to disposition. During the initial review, the Agency provided documentation to support utilities and snow removal agreements with Yankton Inc. and Gensburg & Sons as enforceable obligations totaling $25,798. Finance initially denied the remaining amounts requested of $101,980 from the RPTTF and $4,202 from Other Funds as the amounts were not supported with contracts because some of the contracts with third

party vendors were not yet executed. During the Meet and Confer process, the Agency provided additional documents and information for Gensburg & Sons, Rock & Rose Inc., Placer County Facilities Services, and the KB Town Center totaling $74,263 from the RPTTF and $30,000 of Other Funds. Therefore, this item is eligible for $100,061 from the RPTTF and $30,000 from Other Funds. However, Finance continues to deny $1,919 from the RPTTF.

Additionally, this item contains more than one contract and more than one payee. On future ROPS, the Agency should list each contract as a separate obligation with its own item number and list them in sequential order. Pursuant to HSC section 34177 (m) (1), the Agency is required to complete the ROPS in a manner provided by Finance.

- Item Nos. 15 and 16 – Toxic cleanup costs in the amount of $75,000. Finance no longer denies these items. The Agency's Consultant Services Agreement with Kleinfelder West, Inc. is for hazardous substances remediation services affecting Ronning and Swiss Mart Gas Station properties in King Beach. This contract applies to both items and was amended to extend the contract period through June 30, 2014, and augmented the compensation amount to $263,887. While the agreement is an enforceable obligation, Finance initially denied the item as it appeared that the Agency had requested and was approved for over $425,000 in funding, which exceeded the total contract amount of $263,887 through the preceding ROPS. During the Meet and Confer process, the Agency clarified that Item No. 15 is related to payments on Kleinfelder's contract #KN020960 and blanket purchase order (PO) #BP020854. The contract amount is $238,887 and the blanket PO amount is $25,000. Based on further review, the Agency has not received and expended the full contract amount and $0 has been expended on the blanket PO, which was effective October 1, 2013. Therefore, there are sufficient amounts available on both the contract and blanket PO for the $25,000 requested from the RPTTF for Item No. 15.

  Furthermore, the Agency's request to increase RPTTF funding during the ROPS 13-14B period for Toxic Cleanup from $50,000 to $190,000 for Item No. 16 was not approved. Our review noted that the request to increase funding for this line item relates to a separate agreement the Agency executed with Eagle Environmental Construction for soil excavation and off-site disposal. During the Meet and Confer process, the Agency clarified that the revised amount requested for Item No. 16 consists of the following cost estimate for the ROPS 13-14B period:

  - $56,000 for Kleinfelder contract #KN020960 and blanket PO #BP020854
  - $51,000 contract change order for Eagle Construction contract #10266
  - $48,000 for Placer County Department of Public Works staff
  - $30,000 for contingency costs on the Kleinfelder and Eagle Construction contracts
  - $5,000 for environmental health permits

  Finance no longer denies Item No. 16 and approves the Agency's request to increase the item from $50,000 to $190,000 from the RPTTF.

  Additionally, these items contain more than one contract and more than one payee. On future ROPS, the Agency should list each contract as a separate obligation with its own item number and list them in sequential order. Pursuant to HSC section 34177 (m) (1), the Agency is required to complete the ROPS in a manner provided by Finance.

- Item No. 21 – Property Disposition in the amount of $121,017. Finance continues to deny $71,017 at this time and reclassifies the remaining $50,000 as administrative costs. Our initial review noted that $71,017 of the $121,017 requested for the six month period consists of future staff costs and services to be performed by multiple third party vendors after Finance's determination on the Agency's Long-Range Property Management Plan (LRPMP). Finance denied $71,017 as the amount was not supported by executed contracts. During the Meet and Confer process, the Agency provided a breakdown of the denied amount, which includes the estimated costs related to the planned real estate transactions, title clearance and escrow, and marketing that would occur after the LRPMP is approved by Finance. However, since the Agency's LRPMP has not been reviewed or approved, Finance cannot determine if these proposed costs will be necessary or if they are reasonable.

  Additionally, the Agency was initially approved for legal services in the amount of $50,000. However, based on further review of the item during the Meet and Confer process, the legal services are not related to litigation, but are general legal services, which is an administrative cost since it does not fall into any of the following categories that are specifically excluded from the administrative cap as defined by HSC section 34171 (b):

  - Any litigation expenses related to assets or obligations.
  - Settlements and judgments.
  - The costs of maintaining assets prior to disposition.
  - Employee costs associated with work on specific project implementation activities, including, but not limited to, construction inspection, project management, or actual construction, shall be considered project-specific costs.

  Therefore, $71,017 of this item is not an enforceable obligation and not eligible for RPTTF funding at this time and the $50,000 for legal services is being reclassified as administrative cost. Once the Agency's LRPMP has been approved by Finance, the Agency should request RPTTF funding on a ROPS to implement the LRPMP.

- Administrative costs claimed for RPTTF exceed the allowance by $50,000. HSC section 34171 (b) limits the 2013-14 administrative expenses to three percent of property tax allocated to the Agency or $250,000, whichever is greater.

Allowable administrative cost amount for fiscal year 2013-14	$250,000
Administrative costs distributed for July through December 2013	$125,000
Administrative costs claimed for January through June 2014	$175,000
Overage	$50,000

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 from the 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.

Except for the items denied in whole or in part as enforceable obligations, 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 $1,207,966 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2014	
Total RPTTF requested for non-administrative obligations	1,311,114
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations	**$ 1,436,114**
Total RPTTF requested for non-administrative obligations	**1,311,114**
Denied Items	
Item No. 7	(1,500)
Item No. 14	(1,919)
Item No. 21	(71,017)
Total Denied Items	(74,436)
Reclassified Item	
Item No. 21	(50,000)
Total RPTTF approved for non-administrative obligations	**1,186,678**
Total RPTTF requested for administrative obligations	**125,000**
Reclassified Items	
Item No. 21	50,000
Total RPTTF for administrative obligations	**175,000**
Total RPTTF allowable for administrative obligations (see Admin Cost Cap table below)	**125,000**
Total RPTTF approved for obligations	**1,311,678**
Total ROPS III PPA	(103,712)
Total RPTTF approved for distribution	**$ 1,207,966**
Administrative Cost Cap Calculation	
Total RPTTF for 13-14A (July through December 2013)	2,522,871
Total RPTTF for 13-14B (January through June 2014)	1,186,678
Total RPTTF for fiscal year 2013-14	**3,709,549**
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)	125,000
Allowable RPTTF distribution for administrative cost for ROPS 13-14B	**125,000**

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/.

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, Supervisor, or Mary Halterman, Lead Analyst, at (916) 445-1546.

Sincerely,

JUSTYN HOWARD
Assistant Program Budget Manager

cc: Mr. Andy Heath, Deputy County Executive Officer, Placer County
Ms. Jayne Goulding, Managing Accountant Auditor, Placer County
California State Controller's Office