DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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November 15, 2013

Mr. Bill Aiken, Development Analyst
City of Roseville
311 Vernon Street
Roseville, CA 95678

Dear Mr. Aiken:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Roseville Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14B) to the California Department of Finance (Finance) on October 01, 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 Nos. 25 and 26 – Interfund Loan repayments totaling $163,365. The Agency received a Finding of Completion on August 30, 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). However, HSC section 34176 (e)(6)(B) specifies loan or deferral repayments to the LMIHF shall not be made prior to 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 amount 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, these items are not eligible for funding at this time.

- Item No. 27 – Monitoring Affordable Housing Agreements in the amount $72,826. HSC section 34176 (a) (1) states if a city, county, or city and county elects to retain the authority to perform housing functions previously performed by a redevelopment agency (RDA), all rights, powers, duties, obligations, and housing assets shall be transferred to the city, county, or city and county. Since the City of Roseville assumed the housing functions, the costs associated with these functions are the responsibility of the housing

successor. Therefore, this item is not an enforceable obligation and not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.

- Item Nos. 38 and 50 – Housing Bond Fund 2006HT projects in the amount of $4,800,000 of bond proceeds.

  - Item No. 38 – An amount of $1,600,000 requested for the Mercy Housing Development in Project. It is our understanding that contracts have not been executed. The RDA agreed to reserve $1,600,000 for the project; however, that reservation expired on October 6, 2012 and was not extended by the Agency. Therefore, this item is not eligible for bond funding.

  - Item No. 50 – An amount of $3,200,000 for the Pacific Plaza. Finance accepts the Agency's request to change requested amount to zero.

  Furthermore, pursuant to HSC section 34176 (g), the housing successor agency is required to provide notice to the successor agency of any designations of use or commitments of housing bond proceeds at least 20 days before the deadline for submission of the ROPS to the oversight board. Commitments and designations shall not be valid and binding on any party until they are included in an approved ROPS.

- Claimed administrative costs exceed the allowance by $4,000. HSC section 34171 (b) limits the administrative expenses to three percent of property tax allocated to the successor agency or $250,000, whichever is greater. As a result, the Agency is eligible for $250,000 in administrative expenses.

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	$129,000
Overage	$ 4,000

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. Although the CAC submitted an audit of the Agency's self-reported prior period adjustments (PPA), Finance noted that an additional adjustment was needed as follows:

- ROPS III PPA Form, Item 30 – The Agency reported an unauthorized expenditure amount of $446,470 in Non-Admin RPTTF. This item was denied as an enforceable obligation in Finance's letter dated December 18, 2012 and the Agency should not have expended RPTTF funds. Therefore, Finance added $446,470 as an adjustment to the Agency's self-reported PPA of $35,650, resulting in an adjusted PPA of $482,120.

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. 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 $1,356,947 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2014	
Total RPTTF requested for non-administrative obligations	1,917,845
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations	**$ 2,042,845**
Total RPTTF requested for non-administrative obligations	**1,917,845**
Denied Item	
Item No. 25	(111,676)
Item No. 26	(51,689)
Item No. 27	(36,413)
Reclassified Item	
Item No. 40	(4,000)
Total RPTTF approved for non-administrative obligations	**1,714,067**
Total RPTTF requested for administrative obligations	**125,000**
Reclassified Item	
Item No. 40	4,000
Total RPTTF requested for administrative obligations	**129,000**
Total RPTTF allowable for administrative obligations (see Admin Cost Cap table below)	**125,000**
Total RPTTF approved for obligations	**1,839,067**
Self-Reported ROPS III prior period adjustment (PPA)	(35,650)
Adjustment to ROPS III PPA	(446,470)
Total ROPS III PPA	(482,120)
Total RPTTF approved for distribution	**1,356,947**
Administrative Cost Cap Calculation	
Total RPTTF for 13-14A (July through December 2013)	850,331
Total RPTTF for 13-14B (January through June 2014)	1,714,067
Total RPTTF for fiscal year 2013-14	**2,564,398**
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**

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/.

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 Beliz Chappuie, Supervisor or Todd Vermillion, Lead Analyst at (916) 445-1546.

Sincerely,

JUSTYN HOWARD
Assistant Program Budget Manager

cc: Ms. Melissa Hagan, Financial Analyst, City of Roseville
Ms. Jayne Goulding, Managing Accountant Auditor, Placer County
California State Controller's Office