



December 17, 2013

Mr. Sage Sangiacomo, Assistant City Manager  
City of Ukiah  
300 Seminary Ave  
Ukiah, CA 95482

Dear Mr. Sangiacomo:

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 Ukiah 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 27, 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. 9 – in the amount of \$6,000 for audit services. Finance no longer classifies this item as an administrative cost. During the Meet and Confer, the Agency was able to provide documentation to identify this item as the annual audit costs. Pursuant to HSC section 34171 (b) expenses directly related to assets or obligations can be funded with property tax outside the administrative cap. Because the costs incurred for this item are for the required annual post-audit in HSC section 34177 (n), it can be funded with property tax outside the administrative cap. Therefore, \$6,000 is approved for distribution of Redevelopment Property Tax Trust Fund (RPTTF) this period.
- Items No. 10 and 11- in the amount of \$150,000 for attorney fees. Finance no longer reclassifies these items as administrative costs. During the Meet and Confer, the Agency provided additional documentation to identify these items as pre-litigation expenses. Pursuant to HSC section 34171 (b) allows litigation expenses related to assets or obligations to be funded with property tax outside the administrative cap. Therefore, \$115,000 is approved for distribution in Redevelopment Property Tax Trust Fund (RPTTF) this period.
- Item No. 12 – in the amount of \$15,000 for fiscal services. Finance no longer reclassifies this item as administrative costs. During the Meet and Confer, the Agency

provided additional documentation to identify this item as fees related to bond disclosure and arbitrage. HSC section 34171 (b) allows litigation expenses related to assets or obligations to be funded with property tax outside the administrative cap. Therefore, \$15,000 is approved for RPTTF distribution this period.

- Item No. 14 – in the amount of 30,000 for Oversight Board Legal Counsel. Finance continues to reclassify this item as an administrative cost. The Agency contends the Oversight Board Legal Counsel costs should not have been reclassified and are enforceable obligations because they include legal services that are necessary to wind down the former RDA. The Agency provided the City's and Oversight Board's resolution to designate RPTTF as the funding source for OB legal counsel. HSC section 34171 (b) allows litigation expenses related to assets or obligations to be funded with property tax outside the administrative cap. However, Item No. 14 relates to general legal representation and not specifically to bringing or contesting a legal action in court; therefore, Oversight Board legal counsel is considered an administrative cost.

In addition, per Finance's letter dated November 13, 2013, we continue to deny the following items not contested by the Agency during the Meet and Confer:

- Claimed administrative costs exceed the allowance by \$125,000. HSC section 34171 (b) limits fiscal year 2013-2014 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. The Mendocino Auditor-Controller's Office distributed \$220,000 for the July through December 2013 period, thus leaving a balance of \$30,000 available for the January through June 2014 period. Although 125,000 is claimed for administrative cost, Item No. 14 totaling \$30,000 is considered administrative expenses and should be counted toward the cap. Therefore, \$125,000 of excess administrative cost is not allowed.

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 self-reported prior period adjustment of \$821,650 minus the Bond Reserves retention of \$646,650 for Item No. 3 and \$151,784 for Item No. 5 leaving a balance of \$23,216. 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 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 \$1,802,654 as summarized below:

<b>Approved RPTTF Distribution Amount For the period of January through June 2014</b>	
Total RPTTF requested for non-administrative obligations	1,825,870
Total RPTTF requested for administrative obligations	125,000
<b>Total RPTTF requested for obligations</b>	<b>\$ 1,950,870</b>
<b>Total RPTTF requested for non-administrative obligations</b>	<b>1,825,870</b>
<u>Reclassified Items</u>	
Item No. 14	(30,000)
	(30,000)
<b>Total RPTTF approved for non-administrative obligations</b>	<b>1,795,870</b>
<b>Total RPTTF requested for administrative obligations</b>	<b>125,000</b>
<u>Reclassified Items</u>	
Item No. 14	30,000
	30,000
<b>Total RPTTF for administrative obligations</b>	<b>155,000</b>
<b>Total RPTTF allowable for administrative obligations (see Admin Cost Cap table below)</b>	<b>30,000</b>
<b>Total RPTTF approved for obligations</b>	<b>1,825,870</b>
Self-Reported ROPS III prior period adjustment (PPA)	(821,650)
Adjustment to ROPS III PPA (Retention of Item Nos. 3 and 5 - Bond Reserves)	798,434
Total ROPS III PPA	(23,216)
<b>Total RPTTF approved for distribution</b>	<b>\$ 1,802,654</b>
<b>Administrative Cost Cap Calculation</b>	
Total RPTTF for 13-14A (July through December 2013)	747,521
Total RPTTF for 13-14B (January through June 2014)	1,795,870
<b>Total RPTTF for fiscal year 2013-14</b>	<b>2,543,391</b>
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)	220,000
<b>Allowable RPTTF distribution for administrative cost for ROPS 13-14B</b>	<b>30,000</b>

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, Lead Analyst, at (916) 445-1546.

Sincerely,



JUSTYN HOWARD  
Assistant Program Budget Manager

cc: Ms. Jane Chambers, City Manager, City of Ukiah  
Ms. Meredith J Ford, Auditor-Controller, Mendocino County  
California State Controller's Office