



May 16, 2014

Mr. Dave White, Assistant City Manager  
City of Fairfield  
1000 Webster Street  
Fairfield, CA 94530

Dear Mr. White:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 15, 2014. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Fairfield Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15A) to Finance on March 3, 2014 for the period of July through December 2014. Finance issued a ROPS determination letter on April 15, 2014. 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 May 6, 2014.

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. 10, 11 and 12 – Low and Moderate Income Housing Fund (LMIHF) Loan Repayments in the total amount of \$3,174,391. Finance continues to deny these items. Finance initially denied these items as the Agency was not able to substantiate these loans with loan agreements and Finance objected to the loans in OB Resolution No. 2014-04. During the Meet and Confer process, the Agency clarified that these were loans from the LMIHF, not from the City. However, the Agency did not provide any information or documents indicating under what authority the former Redevelopment Agency (RDA) borrowed these LMIHF funds. If these loans were made under the provisions of the Community Redevelopment Law that depend on the allocation of tax increment, HSC section 34189 rendered such provisions, including the obligations imposed, inoperative. Accordingly, these items are not enforceable obligations pursuant to HSC section 34171 (d) and are therefore not eligible for Redevelopment Property Tax Trust Funds (RPTTF) funding.
- Item No. 66 – Housing Entity Admin Cost Allowance totaling \$150,000. Finance continues to deny this item. Finance denied this item because pursuant to HSC section 34171 (p), the housing entity administrative cost allowance is applicable only in cases where the city, county, or city and county that authorized the creation of the RDA elected to not assume the housing functions. Because the housing entity to the former redevelopment agency of the City of Fairfield (City) is the City-formed Housing Authority

(Authority) and the Authority operates under the control of the City, the Authority is considered the City under Dissolution Law (ABx1 26 and AB 1484).

The Agency contends that the City elected not to retain the housing functions, but the Authority, as a separate legal entity from the City, did retain the housing functions pursuant to HSC section 34176 (b) and should therefore be eligible for the housing entity administrative allowance. However, pursuant to HSC section 34167.10 (a), the definition of "city" includes, but is not limited to, any reporting entity of the city for purposes of its comprehensive annual financial report (CAFR), any component unit of the city, or any entity controlled by the city or for which the city is financially responsible or accountable. HSC section 34167.10 (a) defines "city" for purposes of all of Dissolution Law, which includes HSC section 34171, as amended by AB 471, and HSC section 34176. The Authority is included in the City's CAFR, which identifies the Authority as a component unit of the City and states that the City is financially accountable for the component units.

Although the Authority is a separate legal entity from the City, HSC section 34167.10 (c) states that it shall not be relevant that the entity is formed as a separate legal entity. It should also be noted that HSC section 34167.10 (c) goes on to state that "the provisions of this section are declarative of existing law as the entities described herein are and were intended to be included within the requirements of this part [Part 1.8] and Part 1.85...and any attempt to determine otherwise would thwart the intent of these two parts." Therefore, based on our review, the City, by way of the Authority, elected to retain the housing functions pursuant to HSC section 34176 (a) and is not eligible for \$150,000 of housing entity administrative allowance.

Item No.13 was adjusted by Finance as a result of the denial of Items Nos. 10, 11 and 12. The Agency was authorized in OB Resolution No. 2014-04 to request the maximum allowable pursuant to HSC section 34191.4 (b). This amount was originally divided equally between the four items. As three of these items were subsequently denied, the fourth will be increased to the maximum allowable loan repayment of \$110,306.

The Agency deleted and renamed several line items on the ROPS 14-15A template that they submitted to Finance. These line items were placed back on the template and item numbers were adjusted to match previous line items. If the Agency no longer needs a line item, they may retire it within the template. For Finance's tracking purposes, please do not delete the item or replace it with a new item. The Agency can create a new line item at the end of the previous line items.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 14-15A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2013 period. HSC section 34186 (a) also specifies 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 below includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

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 14-15A. The Agency's maximum approved RPTTF distribution for the reporting period is \$2,454,535 as summarized on the following table:

<b>Approved RPTTF Distribution For the period of July through December 2014</b>	
Total RPTTF requested for non-administrative obligations	2,535,375
Total RPTTF requested for administrative obligations	125,000
<b>Total RPTTF requested for obligations</b>	<b>\$ 2,660,375</b>
<b>Total RPTTF requested for non-administrative obligations</b>	<b>2,535,375</b>
<u>Denied Items</u>	
Item No. 10	(27,577)
Item No. 11	(27,577)
Item No. 12	(27,576)
Item No. 66	(150,000)
	(232,730)
<u>Adjusted Item</u>	
Item No. 13	82,730
<b>Total RPTTF for non-administrative obligations</b>	<b>2,385,375</b>
<b>Total RPTTF authorized for non-administrative obligations</b>	<b>\$ 2,385,375</b>
<b>Total RPTTF requested for administrative obligations</b>	<b>125,000</b>
<b>Total RPTTF authorized for administrative obligations</b>	<b>\$ 125,000</b>
<b>Total RPTTF authorized for obligations</b>	<b>\$ 2,510,375</b>
ROPS 13-14A prior period adjustment	(55,840)
<b>Total RPTTF approved for distribution</b>	<b>\$ 2,454,535</b>

Please refer to the ROPS 14-15A schedule that was used to calculate the approved RPTTF amount:

<http://www.dof.ca.gov/redevelopment/ROPS>

This is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2014. This determination only applies 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.

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Please direct inquiries to Evelyn Suess, Dispute Resolution Supervisor, or Mary Halterman, Analyst, at (916) 445-1546.

Sincerely,



JUSTYN HOWARD  
Assistant Program Budget Manager

cc: Mr. Sean Quinn, City Manager, City of Fairfield  
Ms. Simona Padilla-Scholtens, Auditor Controller, Solano County  
California State Controller's Office