

October 30, 2014

Mr. David Loya, Community Development Deputy Director
City of Arcata
736 F Street
Arcata, CA 95221

Dear Mr. Loya:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Arcata Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15B) to the California Department of Finance (Finance) on September 15, 2014 for the period of January 1 through June, 30 2015. Finance has completed its review of your ROPS 14-15B, which may have included obtaining clarification for various items.

Based on a sample of line items reviewed and application of the law, Finance made the following determinations:

- Item No. 1 – 1994 Tax Allocation Bonds in the amount of \$137,800 is not allowed. The Agency requests \$175,000 in Redevelopment Property Tax Trust Fund Funding (RPTTF) for its upcoming debt service payment. The next debt service payment due for this item is \$37,200. Furthermore, the Agency's request for debt service reserves is approved in Item No. 21. Therefore, the excess amount of \$137,800 (\$175,000 – \$37,200) is not eligible for RPTTF funding on this ROPS.
- Item No. 2 – 2003 Tax Allocation Bonds authorization is increased in the amount of \$49,797. The Agency requests \$135,000 in RPTTF for its upcoming debt service payment. The next debt service payment due for this item is \$184,797. Therefore, Finance is increasing the Agency's RPTTF authorization for this item by \$49,797 (\$184,797 - \$135,000).
- Item No. 17 – 2010/11 Fiscal Year Administration Agreement in the amount of \$591,250 is not allowed. The Agreement to Repay Funds between the City of Arcata (City) and the Agency totaling \$591,250 is not an enforceable obligation at this time. Pursuant to HSC section 34191.4 (b), loan agreements between the former redevelopment agency and sponsoring entity may be placed on the ROPS if the following requirements are met: (1) The Agency has received a Finding of Completion; and (2) The Agency's oversight board approves the loan as an enforceable obligation by finding the loan was for legitimate redevelopment purposes.

Upon receiving a Finding of Completion from Finance and after the oversight board makes a finding the loan was for legitimate redevelopment purposes, HSC section 34191.4 (b) may cause these items to be enforceable in future ROPS periods.

- Item No. 18 – AB 471 Housing Successor Administrative Allowance in the amount of \$150,000 is not an enforceable obligation. Pursuant to HSC section 34171 (p), the housing successor administrative cost allowance is applicable only in cases where the city, county, or city and county that authorized the creation of the redevelopment agency (RDA) elected to not assume the housing functions and that the housing functions were transferred to a local housing authority in the territorial jurisdiction of the RDA. Here, however, the City elected to be the housing successor to the RDA and retained the housing assets by submitting the housing asset transfer form to Finance on July 31, 2012. Therefore, the City is not eligible for the housing successor administrative costs allowance of \$150,000.
- Item No. 22 – 2003 Tax Allocation Bonds authorization is increased in the amount of \$40. The Agency requests \$329,727 in RPTTF for its upcoming debt service payment. The debt service payment in August 2015 is \$329,767. Therefore, Finance is increasing the Agency's RPTTF authorization for this item by \$40 (\$329,767 – \$329,727).

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 14-15B form the estimated obligations and actual payments (prior period adjustments) associated with the January through June 2014 period. The amount of RPTTF approved in the table below reflects the prior period adjustment self-reported by the Agency. 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. Proposed CAC adjustments were not received in time for inclusion in this letter; therefore, the amount of RPTTF approved in the table below only reflects the prior period adjustment self-reported by the Agency.

Except for items denied in whole or in part or items that have been reclassified, Finance is not objecting to the remaining items listed on your ROPS 14-15B. If you disagree with the determination with respect to any items on your ROPS 14-15B, 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 \$289,355 as summarized in the Approved RPTTF Distribution Table below:

Approved RPTTF Distribution	
For the period of January through June 2015	
Total RPTTF requested for non-administrative obligations	2,118,928
Total RPTTF requested for administrative obligations	250,000
Total RPTTF requested for obligations on ROPS	\$ 2,368,928
<u>RPTTF adjustment to non-administrative obligations</u>	
Item No. 2	49,797
Item No. 22	40
Total RPTTF adjustments to non-administrative obligations	49,837
Total RPTTF requested for non-administrative obligations	2,168,765
<u>Denied Items</u>	
Item No. 1	(137,800)
Item No. 17	(591,250)
Item No. 18	(150,000)
	(879,050)
Total RPTTF authorized for non-administrative obligations	\$ 1,289,715
Total RPTTF requested for administrative obligations	250,000
Total RPTTF authorized for administrative obligations	\$ 250,000
Total RPTTF authorized for obligations	\$ 1,539,715
ROPS 13-14B prior period adjustment	(1,250,360)
Total RPTTF approved for distribution	\$ 289,355

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. During the ROPS 14-15B review, Finance requested financial records to support the cash balances reported by the Agency; however, the Agency was unable to support the amounts reported. The Agency's trial balances include \$518,593 of unencumbered reserves; however, the Agency denies the existence of these funds. As a result, Finance will continue to work with the Agency after the ROPS 14-15B review period to properly identify the Agency's cash balances. If it is determined the Agency possesses cash balances that are available to pay approved obligations, the Agency should request the use of these cash balances prior to requesting RPTTF in ROPS 15-16A.

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

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

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, 2015. 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 the 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 agency in the RPTTF.

Pursuant to HSC section 34177 (a) (3), only those payments listed on an approved ROPS may be made by the successor agency from the funds specified in the ROPS. However, if for whatever reason the Agency needs to make payments for approved obligations from another funding source, HSC section 34177 (a) (4) requires the Agency to first obtain oversight board approval.

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
Acting Program Budget Manager

cc: Ms. Janet Luzzi, Finance Director, City of Arcata
Mr. Joe Mellett, Auditor-Controller, Humboldt County
California State Controller's Office