



December 17, 2014

Ms. Devon Rodriguez, Development Specialist  
City of Citrus Heights  
6237 Fountain Square Drive  
Citrus Heights, CA 95621

Dear Ms. Rodriguez:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated November 5, 2014. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Citrus Heights Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15B) to Finance on September 22, 2014, for the period of January through June 2015. Finance issued a ROPS determination letter on November 5, 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 November 18, 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 item being disputed.

- 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. During the meet and confer, the Agency contends these funds are not available for use during ROPS 14-15B, the prior period adjustment is incorrect, and that the Agency has been carrying forward a negative balance because the County Auditor Controller (CAC) recorded the incorrect amount of funds distributed to the Agency during the January through June 2012 ROPS (ROPS I) period. While the CAC reports distributing \$1,415,666 for ROPS I, the Agency claims it only received one distribution of \$1,332,647 dated January 27, 2012 thus creating the deficit. Finance obtained a calculation of the ROPS I distribution from the CAC and noted that the Agency's calculation does not include additional distributions made by the CAC, including a \$58,742 distribution made on January 6, 2012, county administrative fees of \$24,267, and an additional \$10 distribution on June 20, 2012 for the ROPS I period. For this reason, Finance has determined that the ROPS I distribution recorded by the CAC is accurate and that the prior period adjustment reported for ROPS 14-15B is correct and necessary.

In addition, per Finance's letter dated November 5, 2014, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

Based on our review, we are approving all of the items listed on your ROPS 14-15B at this time. The administrative costs claimed are within the fiscal year administrative cap pursuant to HSC section 34171 (b). However, Finance notes the oversight board has approved an amount that appears extremely excessive, given the number and nature of the obligations listed on the ROPS. HSC section 34179 (i) requires the oversight board to exercise a fiduciary duty to the taxing entities. Therefore, Finance encourages the oversight board to apply adequate oversight when evaluating the administrative resources required to successfully wind-down the Agency.

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 Redevelopment Property Tax Trust Fund (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.

The Agency's maximum approved RPTTF distribution for the reporting period is \$128,680 as summarized in the Approved RPTTF Distribution Table below:

<b>Approved RPTTF Distribution</b>	
<b>For the period of January through June 2015</b>	
Total RPTTF requested for non-administrative obligations	80,000
Total RPTTF requested for administrative obligations	116,735
<b>Total RPTTF requested for obligations on ROPS</b>	<b>\$ 196,735</b>
Total RPTTF authorized for non-administrative obligations	80,000
Total RPTTF authorized for administrative obligations	116,735
<b>Total RPTTF authorized for obligations</b>	<b>\$ 196,735</b>
ROPS 13-14B prior period adjustment	(68,055)
<b>Total RPTTF approved for distribution</b>	<b>\$ 128,680</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. 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 beginning balances for Reserve Balances, Other Funds, and RPTTF could not be supported by the Agency's financial records. 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>

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 Evelyn Suess, Dispute Resolution Supervisor, or Danielle Brandon, Analyst, at (916) 445-1546.

Sincerely,



JUSTYN HOWARD  
Acting Assistant Program Budget Manager

cc: Ms. Rhonda Sherman, Community Economic Development Director, City of Citrus Heights  
Mr. Ben Lamera, Assistant Auditor-Controller, Sacramento County  
California State Controller's Office