



November 17, 2014

Ms. Stacey Winton, Media & Communications Officer  
City of Davis  
23 Russell Boulevard, Suite 1  
Davis, CA 95616

Dear Ms. Winton:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Davis Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15B) to the California Department of Finance (Finance) on October 3, 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 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 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.

During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should be used prior to requesting Redevelopment Property Tax Trust Funds (RPTTF). Pursuant to HSC section 34177 (l) (1) (E), RPTTF may be used as a funding source, but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation. The Agency provided financial records that displayed available Reserve Balances totaling \$653,090.

Therefore, the funding source for the following items have been reclassified to Reserve Balances and in the amounts specified below:

- Item No. 4 – 2011 Tax Allocation Bonds (TAB), Series A in the amount of \$458,862. The Agency requests \$458,862 of RPTTF; however, Finance is reclassifying \$458,862 to Reserve Balances. This item is an enforceable obligation for the ROPS 14-15B period. However, the obligation does not require payment from property tax revenues and the Agency has available Reserve Balances. Therefore, Finance is approving the use of Reserve Balances in the amount of \$458,862.

- Item No. 5 – 2011 TAB, Series B in the amount of \$69,228. The Agency requests \$128,800 of RPTTF; however, Finance is reclassifying \$69,228 to Reserve Balances. This item is an enforceable obligation for the ROPS 14-15B period. However, the obligation does not require payment from property tax revenues and the Agency has available Reserve Balances. Therefore, Finance is approving RPTTF in the amount of \$59,572 and the use of Reserve Balances in the amount of \$69,228, totaling \$128,800.
- Item No. 8 – Administrative Cost Allowance in the amount of \$125,000. The Agency requests \$125,000 of RPTTF; however, Finance is reclassifying \$125,000 to Reserve Balances. This item is an enforceable obligation for the ROPS 14-15B period. However, the obligation does not require payment from property tax revenues and the Agency has available Reserve Balances. Therefore, Finance is approving the use of Reserve Balances in the amount of \$125,000.

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 (PPA)) associated with the January through June 2014 period. HSC section 34186 (a) also specifies PPAs 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.

During our review, the Agency advised Finance that they have been retaining unexpended RPTTF and recognizing it as Reserve Balances for future use. This affected both the Cash Balance and PPA form. As a result, the ROPS 13-14B PPA was overstated by \$331,114. Therefore, Finance is decreasing the Agency's PPA from \$552,577 to \$221,463.

In addition, the Agency reported an actual expenditure in the amount of \$1,743 funded by Bond Proceeds on the PPA form relating to Item No. 62 – Personnel Costs. This obligation was denied by Finance during the ROPS 13-14B review. As such, pursuant to HSC section 34178 (a) the Agency cannot restore funding for an obligation that was deleted or reduced by the Finance. Therefore, the reported entries on Item No. 62 of the PPA form were deleted.

Except for the 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/](http://www.dof.ca.gov/redevelopment/meet_and_confer/)

The Agency's maximum approved RPTTF distribution for the reporting period is \$424,068 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	1,173,621
Total RPTTF requested for administrative obligations	125,000
<b>Total RPTTF requested for obligations on ROPS</b>	<b>\$ 1,298,621</b>
<b>Total RPTTF for non-administrative obligations</b>	<b>1,173,621</b>
<u>Cash Balances - Items reclassified to Reserve Balances</u>	
Item No. 4	(458,862)
Item No. 5	(69,228)
	(528,090)
<b>Total RPTTF authorized for non-administrative obligations</b>	<b>\$ 645,531</b>
<b>Total RPTTF requested for administrative obligations</b>	<b>125,000</b>
<u>Reclassified Item</u>	
Item No. 8	(125,000)
<b>Total RPTTF authorized for administrative obligations</b>	<b>0</b>
<b>Total RPTTF authorized for obligations</b>	<b>\$ 645,531</b>
Self-reported ROPS 13-14B PPA	(552,577)
Finance adjustment to ROPS 13-14B PPA	331,114
Total ROPS 13-14B PPA	(221,463)
<b>Total RPTTF approved for distribution</b>	<b>\$ 424,068</b>

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 Wendy Griffe, Supervisor or Medy Lamorena, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD  
Acting Program Budget Manager

cc: Ms. Kelly Fletcher, Budget Manager, City of Davis  
Mr. Howard Newens, Auditor-Controller, Yolo County  
California State Controller's Office