DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. ▪ GOVERNOR
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November 14, 2014

Ms. Stacey Tamagni, Financial Analyst
City of Folsom
50 Natoma Street
Folsom, CA 95630

Dear Ms. Tamagni:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Folsom Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15B) to the California Department of Finance (Finance) on October 2, 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.

However, Finance notes:

- The Agency has combined more than one contract and more than one payee when requesting funding for its debt service payments. On future ROPS, the Agency must list each contract as a separate obligation with its own item number and list them in sequential order. Pursuant to HSC section 34177 (m) (1), the Agency is required to complete the ROPS in a manner provided by Finance. Future ROPS not completed in a manner provided by Finance may be rejected in its entirety and returned to the oversight board for reconsideration.

- Pursuant to HSC section 34183 (a) (2) (A), debt service payments have first priority for payment from distributed RPTTF funding. As such, additional funding requested to be held in reserve along with the amounts required for the current ROPS period should be transferred upon receipt to the bond trustees. The amounts approved for debt service payments on this ROPS are restricted for that purpose and are not authorized to be used for other ROPS items. Any requests to fund these debt service items again in the ROPS 15-16A period will be denied unless insufficient RPTTF was received to satisfy the approved annual debt service payments.

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 Other Funds totaling $151,724. The Agency is requesting the use of $65,220 from Other Funds on this ROPS; however, $86,504 ($151,724 -

$65,220) remains available. Therefore, the funding source for the following item has been reclassified to Other Funds in the amount specified below:

- Item No. 1 – 2005 Tax Allocation Bonds Debt Service Payment in the amount of $219,756. The Agency requests $219,756 from RPTTF; however, Finance is reclassifying $86,504 to Other Funds. 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 $86,504 in available Other Funds. Therefore, Finance is approving the use of RPTTF in the amount of $133,252 and $86,504 in Other Funds, totaling $219,756.

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. HSC section 34186 (a) also specifies prior period adjustments self-reported by successor agencies are subject to review by the county auditor-controller CAC and the State Controller. The Agency self-reported a prior period adjustment of zero; however, the Agency improperly reported the amount available for funding approved obligations based on the Sacramento County Auditor-Controller's (CAC) distribution report. As such, Finance is increasing the Agency's prior period adjustment from zero to $250,000 to account for the prior period adjustment applicable to the Agency's distribution and expenditures. Proposed CAC adjustments were not received in time for inclusion in this letter; therefore, the amount of RPTTF approved in the table below reflects the prior period adjustment self-reported by the Agency, as adjusted by Finance to account for the reporting error.

Except for the item denied in whole or in part or the item that has 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 $5,446,368 as summarized in the Approved RPTTF Distribution Table on below:

Approved RPTTF Distribution For the period of January through June 2015		
Total RPTTF requested for non-administrative obligations		5,657,872
Total RPTTF requested for administrative obligations		125,000
Total RPTTF requested for obligations on ROPS	**$**	**5,782,872**
Total RPTTF requested for non-administrative obligations		**5,657,872**
Total RPTTF for non-administrative obligations		**5,657,872**
Cash Balances - Item reclassified to other funding sources		
Item No. 1		(86,504)
Total RPTTF authorized for non-administrative obligations	**$**	**5,571,368**
Total RPTTF requested for administrative obligations		**125,000**
Total RPTTF authorized for administrative obligations	**$**	**125,000**
Total RPTTF authorized for obligations	**$**	**5,696,368**
Self-reported ROPS 13-14B prior period adjustment (PPA)		0
Finance adjustment to ROPS 13-14B PPA		(250,000)
Total ROPS 13-14B PPA		(250,000)
Total RPTTF approved for distribution	**$**	**5,446,368**

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 Nichelle Thomas, Supervisor or Michael Barr, Lead Analyst at (916) 445-1546.

Sincerely,

JUSTYN HOWARD
Acting Program Budget Manager

cc: Ms. Terri Hemley, Financial Services Manager, City of Folsom
Mr. Ben Lamera, Assistant Auditor-Controller, Sacramento County
California State Controller's Office