



December 17, 2014

Ms. Gina Will, Finance Director
Town of Paradise
5555 Skyway
Paradise, CA 95969

Dear Ms. Will:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated November 14, 2014. Pursuant to Health and Safety Code (HSC) section 34177 (m), the Town of Paradise Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15B) to Finance on October 2, 2014, for the period of January through June 2015. Finance issued a ROPS determination letter on November 14, 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 December 3, 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 No. 4 – Town Loan #4 dated March 27, 2007 in the amount of \$216,369 is not allowed. Finance continues to deny this item at this time. As discussed with the Agency during the meet and confer, the Agency was issued a Finding of Completion on April 26, 2013; however, the oversight board (OB) resolution finding that the city loan was for redevelopment purposes had not yet been submitted to Finance for review and approval pursuant to HSC section 34179 (h). In addition, according to the County Auditor-Controller's (CAC) report, the ROPS residual pass-through amount distributed to the taxing entities for fiscal years 2012-13 and 2013-14 are \$0 and \$0, respectively. As a result, the maximum repayment amount that would have been authorized for fiscal year 2014-15 is \$0. Therefore, the request for \$24,500 to repay the loan is not an enforceable obligation and not eligible for Redevelopment Property Tax Trust Funds (RPTTF) during this ROPS period. Upon Finance review and approval of the OB resolution confirming that the City loan was for redevelopment purposes, the Agency may be eligible to receive funding for this item on future ROPS.
- Prior period adjustment totaling \$11,916. Finance no longer determines that the prior period adjustment is necessary. 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 (ROPS 13-14B) period. In our initial review of the Agency's Prior Period Adjustment form, Finance noted that the available RPTTF for Admin approved obligations should have included an additional \$11,916 to reflect the full amount of RPTTF distributed by the county auditor-controller (CAC). After including \$11,916 as additional RPTTF funds available, the Agency's Prior Period Adjustment was increased from \$0 to \$11,916.

During the meet and confer, the Agency claimed this amount was used to pay debt service on the Agency's 2009 bond issuance for the July through December 2013 period (ROPS 13-14A) due to a shortage of funds distributed by the CAC for the ROPS 13-14A period. Our review of documentation provided by the Agency during the meet and confer process indicates that the Agency was approved to spend \$205,616 during the ROPS 13-14A period; however, only \$181,895 was available for distribution and the Agency experienced a shortage of \$23,721. The Agency made a partial debt service payment in ROPS 13-14A and paid the remaining debt service balance once the ROPS 13-14B distribution was received. Therefore, Finance has determined that those ROPS 13-14B funds attributed to the prior period adjustment are not available for use during ROPS 14-15B.

In addition, our review indicates that during ROPS 13-14A, the Agency made payments towards other approved enforceable obligations prior to making the debt service payment. Finance notes that pursuant to HSC section 34183 (a) (2), debt service payments have first priority for payment from distributed RPTTF funding. As such, funding for approved debt service payments should be set aside prior to making any other payments on approved ROPS items.

Finally, we note that HSC section 34186 (a) also specifies prior period adjustments self-reported by successor agencies are subject to audit by the 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 the item denied in whole or in part or the revision of the prior period adjustment, Finance is not objecting to the remaining items listed on your ROPS 14-15B. The Agency's maximum approved RPTTF distribution for the reporting period is \$174,366 as summarized in the Approved RPTTF Distribution Table on the following page:

| Approved RPTTF Distribution For the period of January through June 2015 | |
|--|-------------------|
| Total RPTTF requested for non-administrative obligations | 187,766 |
| Total RPTTF requested for administrative obligations | 11,100 |
| Total RPTTF requested for obligations on ROPS | \$ 198,866 |
| | |
| Total RPTTF requested for non-administrative obligations | 187,766 |
| <u>Denied Item</u> | |
| Item No. 4 | (24,500) |
| | (24,500) |
| Total RPTTF authorized for non-administrative obligations | \$ 163,266 |
| | |
| Total RPTTF requested for administrative obligations | 11,100 |
| Total RPTTF authorized for administrative obligations | \$ 11,100 |
| | |
| Total RPTTF authorized for obligations | \$ 174,366 |
| Self-reported ROPS 13-14B prior period adjustment (PPA) | 0 |
| Total RPTTF approved for distribution | \$ 174,366 |

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

Sincerely,



JUSTYN HOWARD
Acting Program Budget Manager

cc: Ms. Lauren Gill, Assistant Town Manager, City of Paradise
Ms. Maria Solis, Auditor-Accountant, Butte County
California State Controller's Office