DEPARTMENT OF FINANCE

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December 17, 2014

Ms. Cindy Mosser, Finance Manager
City of Walnut Creek
1666 North Main Street
Walnut Creek, CA 94596

Dear Ms. Mosser:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated November 11, 2014. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Walnut Creek Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15B) to Finance on September 30, 2014, for the period of January through June 2015. Finance issued a ROPS determination letter on November 11, 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 20, 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. 23 – City of Walnut Creek Loan repayment in the amount of $274,544. Finance continues to deny this item at this time. The Agency received a Finding of Completion on October 3, 2013 and the Agency submitted oversight board resolution 14-4 to Finance on November 24, 2014. Finance initiated review of the OB resolution pursuant to HSC section 34179 (h); however, the review was not completed before the ROPS 14-15B meet and confer letter was due to the Agency. We note that even if OB resolution 14-4 was approved in time for this letter, the residual balances available to repay the City loan pursuant to the formula outlined in HSC section 34191.4 (b) is $0. Therefore, to the extent OB resolution 14-4 is approved by Finance and there are sufficient residuals balances available pursuant to HSC section 34191.4 (b), the agency may request funding on future ROPS.

During our original review, Finance determined the Agency possesses Reserve Balances totaling $309,078 and Other Funds totaling $663 that should be used prior to requesting Redevelopment Property Tax Trust Fund (RPTTF). As such, Finance reclassified various items to these funds. Finance continues to reclassify those items. During the meet and confer the Agency claimed that these funds need to be retained as the Agency will not have sufficient funds in future periods to meet its debt service obligations due to a perceived cap on available tax increment from the respective project area. However, Finance maintains that 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. In addition, pursuant to HSC section 34183 (a) (2), the county auditor controller shall allocate RPTTF money to the Agency for payments listed in the ROPS. Therefore, the funding sources for the following items remain reclassified to Reserve Balances and Other Funds in the amounts specified below:

- Item No. 17 – 2000 Tax Allocation Bonds Debt Service Payment Reserve in the amount of $200,713. The Agency requests $200,713 from RPTTF; however, Finance is reclassifying the entire amount to Reserve Balances funding. 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 $309,078 in available Reserve Balances. Therefore, Finance is approving use of Reserve Balances in the amount of $200,713.

- Item No. 18 – 2003 Tax Allocation Bonds Debt Service Payment Reserve in the amount of $282,585. The Agency requests $282,585 from RPTTF; however, Finance is reclassifying $108,365 to Reserve Balances funding and $663 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 $309,078 in available Reserve Balances and $663 in Other Funds. Therefore, Finance is approving RPTTF in the amount of $173,557, the use of Reserve Balances in the amount of $108,365, and the use of Other Funds in the amount of $663, totaling $282,585.

In addition, per Finance's letter dated November 11, 2014, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

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 review 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 the item 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. The Agency's maximum approved RPTTF distribution for the reporting period is $358,710 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		664,932
Total RPTTF requested for administrative obligations		125,000
Total RPTTF requested for obligations on ROPS	**$**	**789,932**
Total RPTTF requested for non-administrative obligations		**664,932**
Denied Item		
Item No. 23		(121,481)
Total RPTTF for non-administrative obligations		**543,451**
Cash Balances - Items reclassified to other funding sources		
Item No. 17		(200,713)
Item No. 18		(109,028)
		(309,741)
Total RPTTF authorized for non-administrative obligations	**$**	**233,710**
Total RPTTF requested for administrative obligations		**125,000**
Total RPTTF authorized for administrative obligations	**$**	**125,000**
Total RPTTF authorized for obligations	**$**	**358,710**
ROPS 13-14B prior period adjustment		0
Total RPTTF approved for distribution	**$**	**358,710**

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 Program Budget Manager

cc: Ms. Laura Simpson, Housing Manager, City of Walnut Creek
Mr. Bob Campbell, Auditor-Controller, Contra Costa County
California State Controller's Office