



May 15, 2015

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 April 08, 2015. 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 15-16A) to Finance on February 25, 2015, for the period of July through December 2015. Finance issued a ROPS determination letter on April 08, 2015. Subsequently, the Agency requested a Meet and Confer session on one or more of the determinations made by Finance. The Meet and Confer session was held on April 21, 2015.

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 determinations being disputed.

- Item No. 14 – Unfunded Loan Principal in the amount of \$64,219. Finance continues to deny this item. According to the Agency, the shortfall resulted from the January through June 2012 (ROPS I) period. The Agency explained the amount of tax increment received was less than earlier assumed, but did not discover the shortfall until the ROPS III (January through June 2013) prior period expenditures were prepared.

Our review of the ROPS I period indicates that in January 2012 the Agency received \$1,391,389 in Redevelopment Property Tax Trust Fund (RPTTF) distributions. In July 2012, the County Auditor Controller demanded the Agency repay \$585,138 pursuant to HSC section 34183.5 (b) (2) leaving the Agency with \$806,251 (\$1,391,389 - \$585,138) to fund approved enforceable obligations for the ROPS I period. We note that the original amount approved for ROPS I was \$955,799 but the Agency subsequently reported only expending a total of \$603,876 on approved enforceable obligations during the ROPS I period plus an additional payment of \$114,200 to the City of Citrus Heights (City) that was denied in Finance's ROPS I letter to the Agency dated May 31, 2012. Therefore, we have determined that the Agency did not experience a shortfall of RPTTF in the ROPS I period and no loan was necessary.

Additionally, we note that the Agency claims that actual cash balances at February 1, 2012 only totaled \$456,743 including the RPTTF distribution for ROPS I. Therefore, Finance has cause to believe that available ROPS I funds totaling \$806,251 were used for obligations incurred prior to ROPS I. Pursuant to HSC section 34177 (l) (3), former redevelopment agency payments due prior to January 1, 2012 were to be made from property taxes received in the spring of 2011. The Agency further claims that tax increment received in the spring of 2011 was not sufficient to pay for the RDA's pre-ROPS I obligations. However, as identified in our Other Funds and Accounts (OFA) Due Diligence Review (DDR) letter to the Agency dated July 11, 2013, the Agency transferred \$7,349,967 to the City on July 16, 2011, which was disallowed. Had these funds not been transferred to the City, the Agency would have had sufficient funds to pay obligations due and payable prior to ROPS I, leaving ROPS I balances available to meet ROPS I obligations. We also note that the Agency has yet to remit the entire amount of transferred funds to the CAC pursuant to that July 11, 2013 OFA DDR letter and has therefore been subject to RPTTF withhold by the CAC.

In addition, per Finance's letter dated April 08, 2015, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

- Item No. 9 – Agency Administration Budget. 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.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 15-16A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2014 period. 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.

Except for the item denied in whole or in part, Finance is not objecting to the remaining items listed on your ROPS 15-16A. The Agency's maximum approved RPTTF distribution for the reporting period is \$371,252 as summarized in the Approved RPTTF Distribution table on the following page:

<b>Approved RPTTF Distribution</b>	
<b>For the period of July through December 2015</b>	
Total RPTTF requested for non-administrative obligations	330,925
Total RPTTF requested for administrative obligations	116,735
<b>Total RPTTF requested for obligations on ROPS</b>	<b>\$ 447,660</b>
<b>Total RPTTF requested for non-administrative obligations</b>	<b>330,925</b>
<u>Denied Item</u>	
Item No. 14	(64,219)
<b>Total RPTTF authorized for non-administrative obligations</b>	<b>\$ 266,706</b>
<b>Total RPTTF authorized for administrative obligations</b>	<b>\$ 116,735</b>
<b>Total RPTTF authorized for obligations</b>	<b>\$ 383,441</b>
ROPS 14-15A prior period adjustment	(12,189)
<b>Total RPTTF approved for distribution</b>	<b>\$ 371,252</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 15-16A review, Finance requested financial records to support the cash balances reported by the Agency; however, the Agency was unable to support the amounts reported. Financial records provided did not include Agency's funds from the Other Funds Account Due Diligence Review. As a result, Finance will continue to work with the Agency after the ROPS 15-16A 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 15-16B.

Please refer to the ROPS 15-16A 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 July 1 through December 31, 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 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.

Ms. Devon Rodriguez  
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Please direct inquiries to Evelyn Suess, Dispute Resolution Supervisor, or Danielle Brandon, Analyst, at (916) 445-3274.

Sincerely,



JUSTYN HOWARD  
Program Budget Manager

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