DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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March 31, 2015

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 15-16A) to the California Department of Finance (Finance) on February 23, 2015 for the period of July 1 through December 31, 2015. Finance has completed its review of your ROPS 15-16A, which may have included obtaining clarification for various items.

Based on a sample of line items reviewed and application of the law, Finance made the following determinations:

- Item No. 4 – 2011 Tax Allocation Bonds, Series A, debt service payment in the amount of $489,594. The Agency requests $151,492 from Reserve Balances, and $338,102 from Redevelopment Property Tax Trust Funds (RPTTF) for a total of $489,594. However, according to the debt service payment schedule; $570,643 is due this period. Therefore, with the Agency's consent, Finance increased the requested funding from RPTTF by $81,050 ($570,643 - $489,594).

- Item No. 30 – PAR Environmental Services in the amount of $48,031 is not allowed. The original City of Folsom (City) Public Works Department Agreement for Services with PAR Environmental Services (PAR), Inc. between the City, Redevelopment Agency of the City of Folsom, and PAR terminated on June 30, 2012. Amendment No. 1 to Agreement for Services increased the amount of the contract, but did not extend the contract period. Therefore, this line item is not an enforceable obligation and is not eligible for RPTTF funding.

During our review, which may have included obtaining financial records, Finance determined the Agency requested $2,233,723 in Reserve Balances; however, $533,781 of that amount should have been classified as Other Funds. As a result, Finance reclassified $533,781 from Reserve Balances to Other Funds.

Additionally, the funding source for the following item has been reclassified from Reserve Balances to Other Funds in the amount specified below:

- Item No. 1 – 2005 Tax Allocation Bonds in the amount of $564,756. The Agency requests $564,756 from Reserve Balances; however, Finance is reclassifying $533,781

to Other Funds. This item is an enforceable obligation for the ROPS 15-16A period. Therefore, Finance is approving $30,975 in Reserve Balances and the use of $533,781 in Other Funds, totaling $564,756.

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 items 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 15-16A. If you disagree with the determination with respect to any items on your ROPS 15-16A, 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 $1,447,840 as summarized in the Approved RPTTF Distribution table below:

Approved RPTTF Distribution For the period of July through December 2015		
Total RPTTF requested for non-administrative obligations		1,257,385
Total RPTTF requested for administrative obligations		125,000
Total RPTTF requested for obligations on ROPS	**$**	**1,382,385**
RPTTF adjustment to non-administrative obligations		81,050
Total RPTTF adjustments	**$**	**81,050**
Total RPTTF requested for non-administrative obligations		**1,338,435**
Denied Items		
Item No. 30		(15,595)
Total RPTTF authorized for non-administrative obligations	**$**	**1,322,840**
Total RPTTF requested for administrative obligations		**125,000**
Total RPTTF authorized for administrative obligations	**$**	**125,000**
Total RPTTF authorized for obligations	**$**	**1,447,840**
ROPS 14-15A prior period adjustment		0
Total RPTTF approved for distribution	**$**	**1,447,840**

Please refer to the ROPS 15-16A 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 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.

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
Program Budget Manager

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