



April 14, 2015

Mr. Jim Simon, Consultant
City of Oroville
309 W. Fourth St
Santa Ana, CA 92701

Dear Mr. Simon:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Oroville Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 15-16A) to the California Department of Finance (Finance) on March 3, 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 – Fiscal Agency Fees and Arbitrage Rebate Services in the amount of \$192,000 is not an obligation of the Agency. It is our understanding the agreement entered into on December 17, 2013 is between the City of Oroville and Wildan Financial Services. The former redevelopment agency (RDA) or the Agency is not a party to the contract. Furthermore, the Fiscal Agent Fees, and Arbitrage Rebate Services were for Series 2002, 2004, and 2004B bonds which were refunded with Agency's 2015 Bonds. This line item is not an enforceable obligation and is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.
- Item No. 21 – City loan repayment in the amount of \$960,812 is not allowed. The Agency received a Finding of Completion on May 6, 2014. As such, the Agency may place loan agreements between the former redevelopment agency and sponsoring entity on the ROPS, as an enforceable obligation, provided the oversight board makes a finding the loan was for legitimate redevelopment purposes per HSC section 34191.4 (b) (1). Additionally, HSC section 34191.4 (b) (2) (A) specifies this repayment to be equal to one-half of the increase between the ROPS residual pass-through distributed to the taxing entities in that fiscal year and the ROPS residual pass-through distributed to the taxing entities in the fiscal year 2012-13 base year.

According to the County Auditor-Controller's report, the ROPS residual pass-through amount distributed to the taxing entities for fiscal year 2012-13 and applicable comparison year (2014-15) are \$5,599,724 and \$3,827,435, respectively. Pursuant to the repayment formula, the maximum repayment amount authorized for applicable fiscal

year (2015-16) is \$0. Therefore, of the \$960,812 requested is not eligible for funding on this ROPS. The Agency may be eligible for additional funding on a future ROPS.

- Item No. 22 – Housing Successor Entity Administrative Cost Allowance in the amount of \$500,000. Pursuant to HSC section 34171 (p), the housing entity administrative cost allowance is applicable only in cases where the city, county, or city and county that authorized the creation of the RDA elected to not assume the housing functions and that the housing functions were transferred to a local housing authority in the territorial jurisdiction of the RDA. Here, however, the City of Oroville (City) elected to be the housing entity to the RDA and retained the housing assets by submitting the housing asset transfer form to Finance on August 1, 2012. Therefore, the City is not eligible for the housing entity administrative costs allowance of \$150,000.

During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should be used prior to requesting RPTTF. Pursuant to HSC section 34177 (i) (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 \$7,387.

Therefore, the funding source for the following item has been reclassified to Other Funds in the amount specified below:

- Item No. 25 – Interim Property Management in the amount of 15,000. The Agency requests \$15,000 of RPTTF; however, Finance is reclassifying \$7,387 to Reserve Balances. This item is an enforceable obligation for the ROPS 15-16A period. However, the obligation does not require payment from property tax revenues and the Agency has \$7,387 in available Reserve Balances. Therefore, Finance is approving RPTTF in the amount of \$7,613 and the use of Other Funds in the amount of \$7,387, totaling \$15,000.

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 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 and 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 \$1,327,019 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	2,176,312
Total RPTTF requested for administrative obligations	275,000
Total RPTTF requested for obligations on ROPS	\$ 2,451,312
Total RPTTF requested for non-administrative obligations	2,176,312
<u>Denied Items</u>	
Item No. 4	(6,000)
Item No. 21	(960,812)
	(966,812)
<u>Cash Balances - Item reclassified to Other Funds</u>	
Item No. 25	(7,387)
	(7,387)
Total RPTTF authorized for non-administrative obligations	\$ 1,202,113
Total RPTTF requested for administrative obligations	275,000
<u>Denied Item</u>	
Item No. 22	(150,000)
Total RPTTF authorized for administrative obligations	\$ 125,000
Total RPTTF authorized for obligations	\$ 1,327,113
ROPS 14-15A prior period adjustment	(94)
Total RPTTF approved for distribution	\$ 1,327,019

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 (j). 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.

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Please direct inquiries to Beliz Chappuie, Supervisor or Satveer Ark, Lead Analyst at (916) 445-1546.

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 Beliz Chappuie, Supervisor or Satveer Ark, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Program Budget Manager

cc: Mr. Rick Farley, Business Assistance Coordinator, City of Oroville
Ms. Maria Solis, Auditor - Accountant, Butte County
California State Controller's Office