DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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March 27, 2015

Ms. Mindy Cuppy, City Clerk
City of Rancho Cordova
2729 Prospect Park Drive
Rancho Cordova, CA 95671

Dear Ms. Cuppy:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Rancho Cordova Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 15-16A) to the California Department of Finance (Finance) on February 12, 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. 17 – Crossing at New Rancho in the amount of $610,377 is not allowed. It is our understanding the Affordable Housing Regulatory Agreement and Declaration of Restrictive Covenants requires the City of Rancho Cordova (City), not the Agency, to pay for certain project-based rental assistance shortages. Therefore, this item is not an enforceable obligation. And, with the Agency's consent, Finance has retired this item from the ROPS.

- Item No. 28 – Reimbursement Agreement in the amount of $5,617,634 is not allowed. It is our understanding the Agency entered into a Reimbursement Agreement with the City on July 1, 2005. According to the Agreement, the City shall provide certain administrative services to the Agency and shall advance funds to the Agency, and the Agency shall reimburse the City for such services and advances.

  Pursuant to HSC section 34171 (d) (1), loans are defined as loans of moneys borrowed by the redevelopment agency for a lawful purpose, to the extent they are legally required to be repaid pursuant to a required repayment schedule or other mandatory loan terms. However, the supporting document provided is a reimbursement agreement, not a loan agreement. The City did not loan any funds to the former RDA; rather, the City was reimbursed for administrative services provided to the Agency. No monetary funds exchanged hands between the City and the Agency prior to the services being provided. Therefore, this item is not an enforceable obligation and is not eligible for Reserve Balances funding

- 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 items denied in whole or in part, 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 zero 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	0
Total RPTTF requested for administrative obligations	0
Total RPTTF requested for obligations on ROPS*	**$0**
Total RPTTF authorized for administrative obligations	0
Total RPTTF authorized for obligations	0
Total RPTTF authorized for obligations	**$0**
ROPS 14-15A prior period adjustment	0
Total RPTTF approved for distribution	**$0**

* No RPTTF funding was requested on ROPS 15-16A; the Agency requested Reserve Balances to fund obligations.

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. Michelle Mingay, Senior Finance Analyst, City of Rancho Cordova
Ms. Susana Jackson, Accountant, City of Rancho Cordova
Mr. Ben Lamara, Assistant Auditor-Controller, Sacramento County
California State Controller's Office