



April 12, 2015

Mr. John Duckett, City Manager
City of Shasta Lake
P.O. Box 777
Shasta Lake, CA 96019

Dear Mr. Duckett:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Shasta Lake Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 15-16A) to the California Department of Finance (Finance) on March 2, 2015 for the period of July 1, 2015 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. 20 – 2014 Tax Allocation Refunding Bonds in the amount of \$87,491 is partially approved. Per discussion with the Agency and review of documentation provided, Finance determined the Agency's ROPS 15-16A request for Redevelopment Property Tax Trust Fund (RPTTF) funding in the amount of \$87,491 pertains to the Agency's June 1, 2015 debt service obligation. Pursuant to HSC 34177 (l) (3), ROPS shall be forward looking to the next six-month period and ROPS 15-16A covers the period of July through December 2015. It is our understanding that the Agency's December 1, 2015 debt service obligation is \$337,241.

In ROPS 14-15B, the Agency was authorized for funding from RPTTF and Other Funds totaling \$369,729 for Item No. 2 – 2006 Tax Allocation Bonds. In October 2014, the Agency refunded the 2006 Tax Allocation Bonds with the 2014 Tax Allocation Refunding Bonds; however, the Agency should still use \$87,491 of the \$369,729 authorized in ROPS 14-15B for their June 1, 2015 debt service obligation.

The remaining ROPS 14-15B authorized funding of \$282,238 (\$369,729 - \$87,491) should be used by the Agency as Reserve Balances funding for the December 1, 2015 debt service obligation. Therefore, Finance is increasing the Agency's ROPS 15-16A authorization of Reserve Balances from zero to \$282,238, leaving a balance of \$55,003 (\$337,241 - \$282,238) to come from RPTTF. Therefore, Finance is denying \$32,488 of the RPTTF request of \$87,491, resulting in RPTTF authorization in the amount of \$53,003 (\$87,491 - \$32,488).

- Item No. 22 – Kenneth Road Improvements in the amount \$25,000 is not an enforceable obligation and not eligible for funding on ROPS. The Agency’s request pertains to improvements to roads related to Property Nos. 1 through 4 on the Agency’s approved Long-Range Property Management Plan (LRPMP). Pursuant to HSC 34191.3, the Finance approved LRPMP shall govern the use and disposition of the Agency’s properties. The LRPMP does not address the need for any road improvements and the Agency was unable to provide documentation to support how the road improvements are an obligation of the Agency. Therefore, Item No. 22 is not eligible for funding on ROPS.

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 full or in part, or the item partially 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 \$121,208 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	144,852
Total RPTTF requested for administrative obligations	50,000
Total RPTTF requested for obligations on ROPS	\$ 194,852
Total RPTTF requested for non-administrative obligations	144,852
<u>Denied Items</u>	
Item No. 20	(32,488)
Item No. 22	(25,000)
	(57,488)
Total RPTTF authorized for non-administrative obligations	\$ 87,364
Total RPTTF requested for administrative obligations	50,000
Total RPTTF authorized for administrative obligations	\$ 50,000
Total RPTTF authorized for obligations	\$ 137,364
ROPS 14-15A prior period adjustment	(16,156)
Total RPTTF approved for distribution	\$ 121,208

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. The significant negative balances could not be supported by the Agency's financial records. 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>

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 Wendy Griffe, Supervisor or Erika Santiago, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Program Budget Manager

cc: on the next page

Mr. John Duckett
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cc: Ms. Laura Redwine, Finance Director, City of Shasta Lake
Ms. Sheri Jenkins, Managing Accountant Auditor, Shasta County
California State Controller's Office