



May 15, 2015

Mr. Sage Sangiacomo, Assistant City Manager
City of Ukiah
300 Seminary Ave.
Ukiah, CA 95482

Dear Mr. Sangiacomo:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 10, 2015. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Ukiah Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 15-16A) to Finance on February 26, 2015, for the period of July through December 2015. Finance issued a ROPS determination letter on April 10, 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 27, 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 Nos. 2 through 7 – Various Tax Allocation Bonds, debt service payments. The Agency requested Reserve Balances totaling \$1,513,303 and Redevelopment Property Tax Trust Funds (RPTTF) totaling \$1,453,893 for these items. Finance initially denied these items because the amounts requested did not agree with the corresponding amounts listed on the bond debt-service schedules. During the Meet and Confer process, the Agency provided additional information for these items and revised the amounts requested:

Item No. 2

The Agency is revising the requested amount to \$683,369 to be funded from the Reserve Balance. This amount ties to the debt service schedule as the amount due on December 1, 2015. Therefore, Finance is increasing the amount requested by \$71,924 and approving the total \$683,369 to be funded from the Reserve Balance instead of the RPTTF.

Item No. 3

The Agency requested to revise the amount to \$834,165 to be funded from the Reserve Balance. HSC section 34171 (d) (1) (A) allows a reserve to be held when required by the bond indenture. Section 4.02 of the 2011A Bond Indenture requires the Agency to deposit an amount equal to the aggregate amounts required to be transferred to the

trustee in the Bond Year prior to using funds for any other lawful purpose. The current Bond Year is from December 2, 2014 through December 1, 2015, which has already been fully funded. Therefore, this item is not an enforceable obligation and not eligible for funding. As such, Finance is not revising the amount requested and continues to deny this item.

Item No. 4

The Agency is revising the requested amount to \$242,750 to be funded from the Reserve Balance. This amount ties to the debt service schedule as the amount due on August 1, 2015. Therefore, Finance continues to deny \$135,850 requested from the RPTTF and is approving the total \$242,750 to be funded from the Reserve Balance instead of the RPTTF.

Item No. 5

The Agency is revising the requested amount to \$378,600 to be funded from the Reserve Balance. HSC section 34171 (d) (1) (A) allows a reserve to be held when required by the bond indenture. Section 4.02 of the 2011B Bond Indenture requires the Agency to deposit an amount equal to the aggregate amounts required to be transferred to the trustee in the Bond Year prior to using funds for any other lawful purpose. The current Bond Year is from August 2, 2014 through August 1, 2015, which has already been fully funded. Therefore, this item is not an enforceable obligation and not eligible for funding. As such, Finance is not revising the amount requested and continues to deny this item.

Item No. 6

The Agency is revising the requested amount to \$396,304 to be funded from the Reserve Balance. This amount ties to the debt service schedule as the amount due on December 1, 2015. Therefore, Finance continues to deny \$67,544 requested from the RPTTF and is approving the total \$396,304 to be funded from the Reserve Balance instead of the RPTTF.

Item No. 7

The Agency is revising the requested amount to \$463,847 to be funded from the Reserve Balance. HSC section 34171 (d) (1) (A) allows a reserve to be held when required by the bond indenture. Section 4.02 of the 2007 Bond Indenture, as amended by the 2011A Bond Indenture, requires the Agency to deposit an amount equal to the aggregate amounts required to be transferred to the trustee in the Bond Year prior to using funds for any other lawful purpose. The current Bond Year is from December 2, 2014 through December 1, 2015, which has already been fully funded. Therefore, this item is not an enforceable obligation and not eligible for funding. As such, Finance is not revising the amount requested and continues to approve this item for \$0 as originally requested.

- Item No. 22 – Contracts between the City of Ukiah (City) and the Agency totaling \$6,000,000. Finance continues to deny this item. During the Meet and Confer process, the Agency continued to object to Finance's denial; however, no new documents were provided to support this item as an enforceable obligation. Finance denied the item as HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city that created the RDA and the former RDA are not enforceable. The Agency contends the contracts are enforceable obligations because the City/Agency agreement was approved by the Oversight Board and not objected to by Finance before AB 1484

amended HSC section 34178 (a), effective June 28, 2012, and on June 20, 2012, the City and the Agency entered the Restated Funding Agreement, which restated and amended a funding agreement originally entered between the City and the former RDA on March 8, 2011. However, Finance disagrees with the Agency's contention that it re-entered into the City/Agency agreement. As stated in the Sacramento Superior Court decision denying the City and Agency's petition for writ of mandate on this issue, the City/Agency agreement was never re-entered and cannot be deemed to be an enforceable obligation.

We note that to the extent the item was to be funded with bond proceeds, we note that pursuant to HSC section 34191.4 (c), successor agencies that have been issued a Finding of Completion by Finance will be allowed to use excess proceeds from bonds issued prior to December 31, 2010 for the purposes for which the bonds were issued. Successor Agencies have no authority to use excess proceeds from bonds issued after December 31, 2010 and should defease or repurchase on the open market for cancellation any bonds that cannot be used for the purpose they were issued or if they were issued after December 31, 2010. The bond proceeds requested for use were issued in March 2011. Therefore, this item is not an enforceable obligation.

- 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.

Finance initially determined that the Available Non-Admin RPTTF amount should be \$1,208,620 and the Available Admin RPTTF should be \$0. This resulted in a total available amount of \$1,206,620 minus the authorized actual expenditures of \$1,134,130 for a prior period adjustment of \$74,490 (\$1,208,620-\$1,134,130). During the Meet and Confer process, the Agency contended that of the amount available, \$33,339 was expended on administrative costs, which is within the approved amount of \$125,000. Therefore, Finance is reducing the prior period adjustment by \$33,339 to \$41,151 to account for the administrative costs actually expended.

Except for the items denied in whole or in part or items that have been reclassified, 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 \$180,049 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	1,650,093
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations on ROPS	\$ 1,775,093
RPTTF adjustment to non-administrative obligations	71,924
Total RPTTF adjustments	\$ 71,924
Total RPTTF requested for non-administrative obligations	1,722,017
<u>Denied Items</u>	
Item No. 4	(135,850)
Item No. 6	(67,544)
Item No. 22	(100,000)
	(303,394)
<u>Reclassified Items</u>	
Item No. 2	(683,369)
Item No. 4	(242,750)
Item No. 6	(396,304)
	(1,322,423)
Total RPTTF authorized for non-administrative obligations	\$ 96,200
Total RPTTF requested for administrative obligations	125,000
Total RPTTF authorized for administrative obligations	\$ 125,000
Total RPTTF authorized for obligations	\$ 221,200
ROPS 14-15A prior period adjustment	(41,151)
Total RPTTF approved for distribution	\$ 180,049

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. The Agency was able to support the amounts reported except the amounts reported in reserve balance. Finance will continue to work with the Agency after the ROPS 15-16A review period to resolve any remaining issues as described above. If it is determined the Agency possesses additional 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.

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 Evelyn Suess, Dispute Resolution Supervisor, or Mary Halterman, Analyst, at (916) 445-3274.

Sincerely,



JUSTYN HOWARD
Program Budget Manager

cc: Ms. Jane Chambers, City Manager, City of Ukiah
Mr. Lloyd Weer, Auditor-Controller, Mendocino County
California State Controller's Office