



May 15, 2015

Mr. Jeremy Craig, Director of Finance and Technology
City of Vacaville
600 Merchant Street
Vacaville, CA 95688

Dear Mr. Craig:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 8, 2015. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Vacaville 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 8, 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 21, 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 No. 17 – Claimed administrative costs initially exceeded the allowance by \$10,169. Finance no longer denies this amount. HSC section 34171 (b) limits the fiscal year 2015-16 administrative expenses to three percent of property tax allocated to the Agency or \$250,000, whichever is greater. Although \$312,194 is claimed for administrative cost, only \$302,025 was available pursuant to the cap due to the initial denial of Item No. 41. However, based on our additional review and approval of Item No. 41 below, \$10,169 is no longer in excess of the administrative cost cap and is allowed.
- Item No. 41 – Nut Tree Loan Claw-Back from Redevelopment Property Tax Trust Fund (RPTTF) funding in the amount of \$338,978. Finance no longer denies this item. HSC section 34191.4 (b) (1) states that upon application by the successor agency and approval by the Oversight Board (OB), loan agreements entered into between the former redevelopment agency (RDA) and the city that created the RDA shall be deemed to be enforceable obligations provided the OB makes a finding the loan was for legitimate redevelopment purposes and the Agency has received a Finding of Completion. The Agency provided OB 2015-3, where the OB found that the Nut Tree Loan Claw-Back was for legitimate redevelopment purposes. However, Finance initially denied this item because this OB action had not been approved by Finance. The approval of OB 2015-3

was issued by Finance on April 23, 2015. Therefore, this item is an enforceable obligation and eligible for RPTTF funding.

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. The amount of RPTTF approved in the table below the prior period adjustment resulting from the CAC's review of the Agency's self-reported prior period adjustment.

Except for any items denied in whole or in part, 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 \$8,010,305 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	10,406,472
Total RPTTF requested for administrative obligations	312,194
Total RPTTF requested for obligations on ROPS	\$ 10,718,666
Total RPTTF requested for non-administrative obligations	10,406,472
Total RPTTF authorized for non-administrative obligations	\$ 10,406,472
Total RPTTF requested for administrative obligations	312,194
Total RPTTF authorized for administrative obligations	\$ 312,194
Total RPTTF authorized for obligations	\$ 10,718,666
ROPS 14-15A prior period adjustment	(2,708,361)
Total RPTTF approved for distribution	\$ 8,010,305

Administrative Cost Cap Calculation	
Total RPTTF for non-administrative obligations	10,406,472
Percent allowed pursuant to HSC section 34171 (b)	3%
Total RPTTF allowable for administrative obligations	312,194
Total RPTTF administrative obligations after Finance adjustments	312,194
Administrative costs in excess of the cap	\$ 0

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 amount of available cash at the end of ROPS 14-15A could not be determined. 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>

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. Emily Cantu, Interim Housing Services Director, City of Vacaville
Ms. Rosemary Bettencourt, Deputy Auditor Controller, Solano County
California State Controller's Office

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