

May 15, 2015

Ms. Wendy Ross, Economic Development Manager  
City of Woodland  
300 First Street  
Woodland, CA 95695

Dear Ms. Ross:

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 Woodland Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 15-16A) to Finance on February 27, 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 24, 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. 1 and 2 – 2007 Tax Allocation Bond debt service payments in the amounts of \$170,576 and \$237,200, respectively, were reclassified from Redevelopment Property Tax Trust Fund (RPTTF) to Reserve Balances. Finance no longer reclassifies Item No. 1 and partially reclassifies Item No. 2 in the amount of \$215,761. Finance initially determined that the Agency was approved RPTTF in the January through June 2015 (ROPS 14-15B) period for these payments and therefore should already have these funds available. During the Meet and Confer process, the Agency claimed that insufficient RPTTF was received in the July through December 2014 (ROPS 14-15A) period to make the required debt service payment. The Agency also contends that the ROPS 14-15B distribution was less than the approved amount.

Our review of these items indicates that during the ROPS 14-15A period the Agency was approved for RPTTF of \$2,813,768 of which \$399,226 was specifically for debt service payments. However, the county auditor controller (CAC) only distributed the available funds, or \$331,631. Review of the prior period adjustment shows that the Agency actually spent \$229,051 on debt service and used the remaining distribution to pay other items approved on the ROPS for RPTTF funding. The unfunded debt service payment was \$170,175 (399,226 - \$229,051).

Then in ROPS 14-15B, the Agency was approved for \$686,836 in RPTTF of which \$585,553 was for debt service payment. However, the CAC only distributed \$563,712. Therefore, the Agency experienced a shortfall of \$21,841 (\$585,553 - \$563,712) for the debt service reserve for payments due in the ROPS 15-16A period.

Based on the above, Finance has determined the Agency experienced a shortfall for debt service totaling \$192,016 (\$170,175 + \$21,841) in the ROPS 14-15A and 14-15B periods. Finance has also concluded that the Agency should have \$215,761 available for debt service. Therefore, Finance no longer reclassifies Item No. 1 to Reserve Balances and continues to reclassify Item No. 2 in the amount of \$215,761 to Reserve Balances. This will permit the Agency to receive RPTTF totaling \$192,015 for Item Nos. 1 and 2.

Finance notes that pursuant to HSC section 34183 (a) (2) (A) and the Agency's bond Indentures, debt service payments have first priority for payment from distributed RPTTF funding. As such, the additional funds requested for reserve should be transferred upon receipt to the bond trustee(s) along with the amounts approved for the other debt service payments prior to making any other payments on approved ROPS items. Any requests to fund these reserves again in ROPS period may be denied unless insufficient RPTTF was received to satisfy both the debt service payments due during the bond year.

In addition, per Finance's letter dated April 10, 2015, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

- Item No. 8 – Heritage Oaks Apartments/ Honest Emergency Loan Program Loan (HELP Loan) payments in the amount of \$1,959,433 is reclassified from RPTTF to Other Funds. In our letter dated March 26, 2015, Finance approved the amendment to the California Housing Finance Agency HELP-020601-11XYZ Loan and a corresponding First Amendment to a Promissory Note from Heritage Oaks L.P. (Developer Loan). The funding source for the HELP Loan is reported as funds received from the Developer Loan; therefore, while the item is an enforceable obligation for the period, the requested funding source has been changed to Other Funds.

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 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 \$422,715 as summarized in the Approved RPTTF Distribution table below:

<b>Approved RPTTF Distribution</b>	
<b>For the period of July through December 2015</b>	
Total RPTTF requested for non-administrative obligations	2,472,909
Total RPTTF requested for administrative obligations	125,000
<b>Total RPTTF requested for obligations on ROPS</b>	<b>\$ 2,597,909</b>
<b>Total RPTTF requested for non-administrative obligations</b>	<b>2,472,909</b>
<b>Reclassified Items</b>	
Item No. 2	(215,761)
Item No. 8	(1,959,433)
	(2,175,194)
<b>Total RPTTF authorized for non-administrative obligations</b>	<b>\$ 297,715</b>
<b>Total RPTTF requested for administrative obligations</b>	<b>125,000</b>
<b>Total RPTTF authorized for administrative obligations</b>	<b>\$ 125,000</b>
<b>Total RPTTF authorized for obligations</b>	<b>\$ 422,715</b>
ROPS 14-15A prior period adjustment	0
<b>Total RPTTF approved for distribution</b>	<b>\$ 422,715</b>

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 beginning balances for Reserve Balances, Other Funds, and RPTTF 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>

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 Danielle Brandon, Analyst, at (916) 445-3274.

Sincerely,



JUSTYN HOWARD  
Program Budget Manager

cc: Ms. Kim McKinney, Finance Officer, City of Woodland  
Mr. Howard Newens, Auditor-Controller, Yolo County  
California State Controller's Office