DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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May 17, 2016

Ms. Melissa Hagan, Financial Analyst
City of Roseville
311 Vernon Street
Roseville, CA 95678

Dear Ms. Hagan:

Subject: 2016-17 Annual Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 12, 2016. Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Roseville Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule for the period of July 1, 2016 through June 30, 2017 (ROPS 16-17) to Finance on January 28, 2016. Finance issued a ROPS determination letter on April 12, 2016. 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 26, 2016.

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 7 – 2002 City loan repayment in the total outstanding amount of $4,090,841. Finance continues to deny this item. Previously, Finance denied this item because the 2002 Agreement of Advance of Funds (Advance Agreement) did not meet the definition of a "loan agreement" under HSC section 34191.4 (b) (2) (A) or (C). During the Meet and Confer, the Agency provided a Cooperation Agreement entered between the former Roseville Redevelopment Agency (RDA) and the City of Roseville (City) dated June 2, 1983. The Agency contended that the Cooperation Agreement should be reviewed in conjunction with the Advance Agreement.

  Finance reviewed the Cooperation Agreement wherein the former RDA agreed to reimburse the City for services rendered and costs incurred on the former RDA's behalf. The Agency states the Agreement allowed the City to enter into third party contracts on behalf of the Agency for various redevelopment purposes and the Agency is now obligated to repay the City as stated in the Agreement.

  Per our review, it appears that the Cooperation Agreement may meet the definition of loan agreement pursuant to HSC section 34191.4 (b) (2) (C) which states that an agreement between the former RDA and sponsoring entity are enforceable if the sponsoring entity (1) contracted with a third party on behalf of the former RDA (2) for the

development of infrastructure in connection with a redevelopment project (3) as identified in a redevelopment project plan and (4) the former RDA was obligated to reimburse the sponsoring entity for payments made to the third party. Although it appears that the Cooperation Agreement meets some of the requirements of HSC section 34191.4 (b)(2)(C), we did not receive sufficient documentation to show that costs incurred by the City through its contracts with third parties are for the development of infrastructure. Unless the Agency can provide additional documentation to support that the third party contracts were for infrastructure in connection with a redevelopment project identified in a project plan, Finance cannot approve this item.

Finance notes the basis for any possible repayment for ROPS Item Nos. 7 and 8 (both City loans described on the ROPS as Formation of Flood Control Project Area) would be the Cooperation Agreement, not the 2002 Advance Agreements. As acknowledged by the Agency in its meet and confer request, the 2002 Advance Agreements that the Agency asserts support ROPS Item Nos. 7 and 8 were "merely a memorialization of the actual loan, but it is the [Cooperation Agreement] which gave the City the authority to ..." contract with third parties. Thus, the 2002 Advance Agreements were not the agreements "under which the city...contracted with a third party on behalf of the" RDA as required under HSC section 34191.4 (b)(2)(C). As a result, the maximum repayment amount possible for ROPS Item Nos. 7 and 8 is $5 million pursuant to HSC section 34191.4 (b)(2)(C)(ii). Given the relationship between ROPS Item Nos. 7 and 8 that became apparent in the meet and confer review of ROPS Item No. 7, although Finance has approved amounts for ROPS Item No. 8, Finance will conduct further review for ROPS Item No. 8 on future ROPS to determine if continued approval of that ROPS item is appropriate.

In addition, per Finance's letter dated April 12, 2016, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

- Item No. 16 – 2006AT Tax Allocation Bonds in the amount of $190,638. This amount was approved during ROPS 15-16B as a reserve for use during the ROPS 16-17 period. As such, RPTTF funding is not necessary. Therefore, Finance has reclassified the requested $190,638 from RPTTF to Reserve Balances for the July 1, 2016 through December 31, 2016 period (ROPS A period).

- Item No. 17 – 2006HT Tax Allocation Bonds in the amount of $276,333. The Agency requested $105,000 from Reserve Balances and $171,333 from RPTTF funding. This amount was approved during ROPS 15-16B as a reserve for use during the ROPS 16-17 period. As such, RPTTF funding is not necessary. Therefore, Finance has reclassified the requested $171,333 from RPTTF to Reserve Balances for the ROPS A period.

- Item No. 23 – Reserve Tax Allocation Bonds 2006HT in the amount of $278,236. The Agency is requesting for bond reserves for use during the next annual ROPS period. However, the amount was incorrectly listed to be funded from Reserve Balances funding. Therefore, Finance has reclassified the requested $629,619 from Reserve Balances to RPTTF funding for the January 1, 2017 through June 30, 2017 period (ROPS B period).

- Item No. 54 – 2014 Tax Allocation Refunding Bonds in the amount of $629,619. This amount was approved during ROPS 15-16B as a reserve for use during the ROPS 16-17 period. As such, RPTTF funding is not necessary. Therefore, Finance has reclassified the requested $629,619 from RPTTF to Reserve Balances for the ROPS A period.

  Furthermore, the Agency incorrectly requested for $633,094 in bond reserves for use during the next annual ROPS period. However, the amount was incorrectly listed to be funded from Reserve Balances and should actually be listed under Item No. 55 payable from RPTTF. Therefore, the requested $633,094 from Reserve Balances for the ROPS B period for this item has been adjusted to zero and an adjustment has been made to Item No. 55 as discussed below.

Per discussion with the Agency, Finance has made the following adjustments to ROPS 16-17 requested funding:

- Item No. 15 – 2006A Tax Allocation Bonds. The Agency received $320,313 in RPTTF during the ROPS 15-16B period to make the ROPS A period debt service payment. Finance has updated the ROPS A period to reflect the use of Reserve Balance in the amount of $320,313. Furthermore, Finance is also approving the Agency's request to increase RPTTF funding for the ROPS B period from zero to $320,313 for payment due March 2017.

- Item No. 16 – 2006AT Tax Allocation Bonds. Finance is approving the Agency's request to increase RPTTF funding for the ROPS B period from zero to $61,950 for payment due March 2017.

- Item No. 17 – 2006HT Tax Allocation Bonds. Finance is approving the Agency's request to increase RPTTF funding for the ROPS B period from zero to $168,236 for payment due March 2017.

- Item No. 21 – 2006A Tax Allocation Bonds Reserve. Finance is approving the Agency's request to increase RPTTF funding for the ROPS B period from zero to $320,313 for payment due September 2017.

- Item No. 54 – 2014 Tax Allocation Refunding Bonds. Finance is approving the Agency's request to increase RPTTF funding for the ROPS B period from zero to $188,094 for payment due March 2017.

- Item No. 55 – 2014 Tax Allocation Refunding Bonds Reserve. Finance is approving the Agency's request to increase RPTTF funding for the ROPS B period from zero to $633,094 as reserve for future bond payment due in the next annual ROPS period.

- On the ROPS 16-17 form, the Agency reported cash balances and activity for the period of July 1, 2015 through June 30, 2016. 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 our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should be used prior to requesting RPTTF. Therefore, the funding source for the following item has been reclassified to Other Funds and in the amount specified below:

- Item No. 8 – City loan repayment in the amount of $100,000 in RPTTF funding has been reclassified. This item is an enforceable obligation for the ROPS 16-17 period. However, the obligation does not require payment from property tax revenues and the Agency has $100,000 in available Other Funds. Therefore, Finance has reclassified the requested $100,000 from RPTTF to Other Funds for the ROPS B period.

- Item No. 15 – 2006A Tax Allocation Bond payment in the amount of $320,313. Finance is reclassifying $53,988 to Other Funds. This item is an enforceable obligation for the ROPS 16-17 period. However, the obligation does not require payment from property tax revenues and the Agency has $53,988 in available Other Funds. Therefore, Finance is approving RPTTF in the amount of $266,325 and the use of Other Funds in the amount of $53,988, totaling $320,313 for the ROPS B period.

Except for the items denied in whole or in part or the items that have been adjusted, Finance is not objecting to the remaining items listed on your ROPS 16-17. The Agency's maximum approved RPTTF distribution for the reporting period is $2,385,698 as summarized in the Approved RPTTF Distribution Table on Page 6 (See Attachment).

ROPS distributions will occur twice annually, one distribution for the ROPS A period, and one distribution for the ROPS B period based on Finance's approved amounts. Since Finance's determination is for the entire ROPS 16-17 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

On the ROPS 16-17 form, the Agency was not required to report the estimated obligations versus actual payments (prior period adjustment) associated with the July 1, 2015 through December 31, 2015 period (ROPS 15-16A). The Agency will report actual payments for ROPS 15-16A and ROPS 15-16B on the ROPS 18-19 form pursuant to HSC section 34186 (a) (1). A prior period adjustment will be applied to the Agency's future RPTTF distribution. Therefore, the Agency should retain any difference in unexpended RPTTF.

Please refer to the ROPS 16-17 schedule used to calculate the total RPTTF approved for distribution:

http://www.dof.ca.gov/redevelopment/ROPS

This is Finance's determination related to the enforceable obligations reported on your ROPS for the period July 1, 2016 through June 30, 2017. This determination only applies to items when funding was requested for the 12-month period. Finance's determination is effective for this time period only and should not be conclusively relied upon for future ROPS periods. All items listed on a future ROPS are subject to review and may be denied even if it was not denied on this ROPS or a preceding ROPS. The only exception is for items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). Finance's review of Final and Conclusive items 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 available prior to the enactment of the redevelopment dissolution statutes. 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.

Please direct inquiries to Evelyn Suess, Dispute Resolution Supervisor, or Nicole Prisakar, Analyst, at (916) 445-3274.

Sincerely,

JUSTYN HOWARD
Program Budget Manager

cc: Mr. Bill Aiken, Development Analyst, City of Roseville
Ms. Roxanne Nored, Managing Accountant Auditor, Placer County

## Attachment

| Approved RPTTF Distribution<br>For the period of July 2016 through June 2017 | ROPS A Period | ROPS B Period | Total |
|---|---|---|---|
| Requested RPTTF (excluding administrative obligations) | $ 1,202,540 | $ 1,038,510 | $ 2,241,050 |
| Requested Administrative RPTTF | 125,000 | 125,000 | 250,000 |
| **Total RPTTF requested for obligations on ROPS 16-17** | 1,327,540 | 1,163,510 | **$ 2,491,050** |
| **Adjustment to Agency Requested RPTTF** | | | |
| Item No. 15 | 0 | 320,313 | 320,313 |
| Item No. 16 | 0 | 61,950 | 61,950 |
| Item No. 17 | 0 | 168,236 | 168,236 |
| Item No. 21 | 0 | 320,313 | 320,313 |
| Item No. 54 | 0 | 188,094 | 188,094 |
| Item No. 55 | 0 | 633,094 | 633,094 |
| **Total RPTTF adjustments** | 0 | 1,692,000 | **1,692,000** |
| **Total RPTTF requested** | 1,202,540 | 2,730,510 | **3,933,050** |
| Denied Item | | | |
| Item No. 7 | 0 | (930,010) | (930,010) |
| | 0 | (930,010) | (930,010) |
| Reclassified Items | | | |
| Item No. 8 | 0 | (100,000) | (100,000) |
| Item No. 15 | 0 | (53,988) | (53,988) |
| Item No. 16 | (190,638) | 0 | (190,638) |
| Item No. 17 | (171,333) | 0 | (171,333) |
| Item No. 23 | 0 | 278,236 | 278,236 |
| Item No. 54 | (629,619) | 0 | (629,619) |
| | (991,590) | 124,248 | (867,342) |
| **Total RPTTF authorized** | 210,950 | 1,924,748 | **$ 2,135,698** |
| **Total Administrative RPTTF authorized** | 125,000 | 125,000 | **$ 250,000** |
| **Total RPTTF approved for distribution** | 335,950 | 2,049,748 | **$ 2,385,698** |