



April 20, 2012

David White, Deputy City Manager
City of Fairfield
City Manager's Office
1000 Webster Street, 4th Floor
Fairfield, CA 94533

Dear Mr. White:

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (c), the City of Fairfield Redevelopment Agency Successor Agency submitted a Recognized Obligation Payment Schedule (ROPS) to the California Department of Finance (Finance) on April 9, 2012. Finance staff contacted you for clarification of items listed in the ROPS.

HSC section 34171 (d) lists enforceable obligation (EO) characteristics. Based on a sample of line items reviewed and application of the law, the following do not qualify as Eos:

January through June 2012 period:

- Form A, line items 2 and 6 totaling \$17.6 million for bond reserves. HSC section 34171 (d) (1) (A) states that enforceable obligation means bonds, including the required debt service, reserve set-asides, and any other payments required under the indenture or similar documents governing the issuance of the outstanding bonds. There were no documents provided to support the requested amount to meet reserves.
- Form A, line item 8 in the amount of \$2.1 million for debt reserves. HSC section 34171 (d) outlines characteristics of enforceable obligations and does not recognize reserves set aside as enforceable obligations other than bond indebtedness. Therefore, the \$2.1 million reserve set aside for reimbursement agreements is not enforceable.
- Form B, line item 1 in the amount of \$1 million for a loan from the City of Fairfield. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city that created the redevelopment agency (RDA) and the former RDA are not EOs.

July through December 2012 period:

- Form A and Form C for excess Administrative costs of \$44,600. HSC section 34171 (b) limits administrative costs to three percent of property tax allocated to the successor agency or \$250,000, whichever is greater. Therefore, \$44,600 of the claimed \$294,600 is not an EO. The following items are administrative expenses:
 - Form A – Items 10, 22, 31, 32, 42, 43, 45, 50, 52, 53
 - Form C – Items 1, 2, 3, and 4

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- Form A, item 51 is for housing portfolio oversight costs of \$18,000. HSC section 34176 (a) states that if a city or county that authorized the creation of an RDA elects to retain the responsibility for performing housing functions, all rights, powers, duties, and obligations shall be transferred to the city or county. Further, 34176 (c) states that the housing successor may enforce affordability covenants and perform related activities. Related activities such as oversight costs on housing assets is an optional obligation of the housing successor, not of the Successor Agency for the RDA. Therefore, this is not an enforceable obligation.

As authorized by HSC section 34179 (h), Finance is returning your ROPS for your reconsideration. This action will cause the specific ROPS items noted above to be ineffective until Finance approval. Furthermore, items listed on future ROPS will be subject to review and may be denied as EOs.

If you believe we have reached this conclusion in error, please provide further evidence that the items questioned above meet the definition of an EO.

Please direct inquiries to Robert Scott, Supervisor or Kylie Le, Lead Analyst at (916) 322-2985.

Sincerely,



MARK HILL
Program Budget Manager

cc: Ms. Simona Padilla-Scholtens, Auditor Controller, County of Solano
Mr. Jun Aveda, Deputy Auditor Controller, County of Solano