DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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May 30, 2012

Stacey Tamagni, Financial Analyst
Department of Finance
City of Folsom
50 Natoma Street
Folsom, CA 95630

Dear Ms. Tamagni:

Subject: Recognized Obligation Payment Schedule Approval Letter

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the City of Folsom Successor Agency (Agency) submitted Recognized Obligation Payment Schedules (ROPS) to the California Department of Finance (Finance) on April 13, 2012 for the period January to June 2012 and on May 23, 2012 for the period July to December 2012. Finance is assuming appropriate oversight board approval. Finance has completed its review of your ROPS, which may have included obtaining clarification for various items. This letter supersedes our letter issued May 30, 2012 to correct an address error.

January to June 2012 ROPS
In Finance's letter dated April 27, 2012, we questioned the following items:

- Items 21 and 26, on page 1, for Streetscape in the amount of $465,286
- Item 1, on page 2, for Folsom Public Plaza in the amount of $1.2 million
- Item 17, on page 2, for Project Area in the amount of $310,000
- Item 22, on page 2, for Housing – Memorandum of Understanding in the amount of $900,000

On May 8, 2012, the Agency provided additional information regarding item 1, on page 2. Although the resolution provided by the City indentified that the RDA Executive Director was authorized to execute the contract, the contract was executed by the City Mayor, not the RDA Executive Director. Further, the contract makes no mention of the RDA nor attempts to limit the City's obligation to only RDA funds. Therefore, the contract is an obligation of the City, not the RDA, and all items above remain as reported on the April 27, 2012 letter.

July to December 2012 ROPS
HSC section 34171 (d) lists EO characteristics. Based our application of the law, the following does not qualify as enforceable obligations (EO):

- Form B, items 1, 2, and 5 in the amount of $16.8 million. Pursuant to HSC section 34163 (b), agreements such as loan agreements, pass-through agreements, regulatory agreements, service contracts, leases, and disposition and development agreements are valid agreements if executed prior to June 28, 2011. No contracts have been executed prior to June 28, 2011 to establish these items as EOs.

- Form B, item 8, for a housing project in the amount of $1.7 million. HSC section 34163(b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011. The contract was executed May 15, 2012.

Except for items disallowed in whole or in part as enforceable obligations noted above and in Finance's letter dated April 27, 2012, Finance is approving the remaining items listed in your ROPS for both periods. This is our determination with respect to any items funded from the Redevelopment Property Tax Trust Fund (RPTTF) for the June 1, 2012 property tax allocations. If your oversight board disagrees with our determination with respect to any items not funded with property tax, any future resolution of the disputed issue may be accommodated by amending the ROPS for the appropriate time period. Items not questioned during this review are subject to a subsequent review, if they are included on a future ROPS. If an item included on a future ROPS is not an enforceable obligation, Finance reserves the right to remove that item from the future ROPS, even if it was not removed from the preceding ROPS.

Please refer to Exhibit 12 at http://www.dof.ca.gov/assembly_bills_26-27/view.php for the amount of RPTTF that was approved by Finance based on the schedule submitted.

As you are aware the amount of available RPTTF is the same as the property tax increment that was available prior to ABx1 26. 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 in the RPTTF.

Please direct inquiries to Chikako Takagi-Galamba, Supervisor or Cindie Lor, Lead Analyst at (916) 322-2985.

Sincerely,

Mark Hill

MARK HILL
Program Budget Manager

cc: Mr. Ben Lamera, Assistant Auditor Controller, Sacramento County Department of Finance, Auditor-Controller Division
Ms. Kim Le, Senior Accounting Manager, Sacramento County Department of Finance, Auditor-Controller Division