



May 4, 2012

Barry Tippin, Assistant City Manager  
City of Redding  
777 Cypress Avenue  
Redding, CA 96001

Dear Mr Tippin:

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the City of Redding Successor Agency submitted Recognized Obligation Payment Schedules (ROPS) to the California Department of Finance (Finance) on April 25, 2012, for the periods January through June 2012 and July through December 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:

- Debt Service Payments totaling \$1.2 million. HSC section 34177 (l) (3) states that the ROPS shall be forward looking to the next six months only. As these obligations are not due until the subsequent period, therefore the items are not EOs for this period:
  - CHC Project Area, page 1, Item No. 1 and 2
  - SHASTEC Project Area, page 1, Item 1
- Reserve payments totaling \$3.1 million. HSC section 34167 (d) (1) defines enforceable obligations as bonds, including the required debt service, reserve set-asides and other payments required under the indenture. Based on our understanding, these reserve amounts are not required under the bond indentures. Therefore, the \$3.1 million in reserve set asides are not enforceable:
  - CHC Project Area, page 1, Item No. 1
  - Market Street Project Area, page 1, Item No. 1
- Expenditure payments totaling \$123,834. HSC section 34163(b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011. It is our understanding that the contracts for these line items were entered into or signed after June 27, 2011:
  - CHC Project Area, Page 1, Item No. 13, Page 2, Item No. 7
  - Market Street Project Area: Page 1, Item No. 9
  - SHASTEC Project Area: Page 1, Item No. 8
- Expenditures totaling \$273,091. Documentation provided identifies the City, not the former RDA, as being obligated to the third parties. Therefore, these items are not EOs:
  - CHC Project Area: Page 1, Item Nos. 21 and 29, Page 2, Item No. 13
  - Market Street Project Area: Page 1, Item Nos. 18 and 28
  - SHASTEC Project Area: Page 1, Item Nos. 18 and 21

- HSC section 34171 (b) limits the 2011-12 administrative cost allowance to five percent of the property tax allocated to the successor agency or \$250,000, whichever is greater. Five percent of the property tax allocated to the Redding Successor Agency in 2011-12 equated to approximately \$153,700. Since there is a \$250,000 minimum funding for administrative expenses, we are disallowing \$82,800 of the claimed \$332,800.

July through December 2012 period:

- CHC Project Area, Line No. 2, debt service payment of \$148,738. HSC section 34177 (l) (3) states that the ROPS shall be forward looking to the next six months only. As this obligation is not due until the subsequent period, it is not an EO for the period.
- Expenditures totaling \$15,000. Documentation provided identifies the City, not the former RDA, as being obligated to the third parties. Therefore, these items are not EOs:
  - CHC Project Area, Item No. 6
  - Market Street Project Area, Item No. 8
  - SHASTEC Project Area, Item No. 7

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 error in our conclusion, please provide evidence that the items questioned above meet the definition of an EO and send to [RedevelopmentAdministration@dof.ca.gov](mailto:RedevelopmentAdministration@dof.ca.gov).

Finance may continue to review items on the ROPS in addition to those mentioned above and identify additional issues. We will provide separate notice if we are requesting further modifications to the ROPS. It is our intent to provide an approval notice with regard to each ROPS prior to the June 1 property tax distribution date.

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

Sincerely,



MARK HILL  
Program Budget Manager

cc: Ms. Theresa Rudolph, Assistant City Clerk, City of Redding  
Ms. Cathy Bullock, Senior Accountant, City of Redding  
Ms. Connie Regnell, Auditor-Controller, County of Shasta  
Ms. Sherri Jenkins, Managing Accountant, County of Shasta