



May 18, 2012

Gordon Elton, Finance Director
City of Ukiah
300 Seminary Avenue
Ukiah, CA 95482

Dear Mr. Elton:

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the City of Ukiah (City) Successor Agency submitted a Recognized Obligation Payment Schedule (ROPS) to the California Department of Finance (Finance) on May 3, 2012 for the period 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:

- Item No. 4 on page 1 – Tax Allocation Bond Principal and Interest Payments for \$1.1 million. Per the City official, there was a calculation error that resulted in an extra request of \$1.1 million. The correct amount of this line item should be \$768,300. Therefore, we are questioning \$1.1 million of the \$1.9 million claimed.
- HSC section 34163 (b) prohibits a RDA from entering into contracts with any entity after June 27, 2011. Contracts executed after June 27, 2011 are not enforceable as follows:
 - Page 1, Item Nos. 3 and 13 – North Coast Railroad Authority Project and Staff Costs totaling \$1.2 million. While contracts totaling \$371,253 were awarded prior to June 28, 2011, amounts scheduled to be paid on the January through June 2012 ROPS exceeded this amount. Additional contracts provided in support of these line items were executed after June 27, 2011. Therefore, we are questioning the \$1.2 million.
 - Page 1, Item No. 12 and page 2, Item No. 17 – Various Non-Housing Bond Projects and Staff Costs totaling \$4.5 million. Section 34177(i) states bond proceeds shall be used for the purposes for which bonds were sold unless the purposes can no longer be achieved, in which case, the proceeds may be used to defease the bonds. It is our understanding that no contracts were awarded for this project prior to June 28, 2011.
 - Page 1, Item No. 14, and page 2, Item Nos. 11, 12, and 15 – Costco Development Project and Staff Costs totaling \$7.7 million. While contracts totaling \$430,021 were awarded prior to June 28, 2011, amounts scheduled to be paid on the January through June 2012 ROPS exceeded this amount. Additional contracts provided in support of these line items were executed after June 27, 2011. Therefore, we are questioning the \$7.7 million claimed.

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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.

Department of 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.

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 and submit to the following email address:

Redevelopment_Administration@dof.ca.gov.

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

Sincerely,



MARK HILL
Program Budget Manager

Attachment

cc: Jane Chambers, City Manager, City of Ukiah
Sage Sangiacomo, Assistant City Manager, City of Ukiah
David Rapport, City Attorney, City of Ukiah
Linda Brown, Redevelopment Secretary, City of Ukiah
Iris Yang, Attorney, Best Best & Krieger LLP
Meredith J. Ford, Auditor-Controller, Mendocino County