



December 18, 2012

Ms. Jennifer Hennessy, Treasurer  
City of Chico  
411 Main Street  
P.O. Box 3420  
Chico, CA 95927

Dear Ms. Hennessy:

Subject: Recognized Obligation Payment Schedule

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated October 20, 2012. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Chico Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on September 5, 2012 for the period of January 1 through June 30, 2013. Finance issued its determination related to those enforceable obligations on October 20, 2012. Subsequently, the Agency requested a Meet and Confer session on one of more of the items denied by Finance. The Meet and Confer session was held on November 8, 2012.

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 item being disputed.

- Item No. 28 – Loan/Reimbursement in the amount of \$961,207. This item represents a partial denial of the \$3,990,736 amount listed on the ROPS III. Finance continues to deny the item. Finance denied the item as HSC section 34177.5 states a successor agency is allowed to enter into a loan to repay bond indebtedness. However, pursuant to HSC section 34183.5, the July true-up process was to distribute the amount of residual property tax revenue to affecting taxing entities based on the amount approved by Finance on the January through June 2012 ROPS. A portion of the loan from the City to the Agency is to make the July true-up payment to the county auditor-controller. The Agency contends the item is an enforceable obligation because the Agency had no residual tax increment to distribute for the true-up process and entered into a loan agreement with the City to make the demand payment. Per HSC section 34173 (h), the city, county, or city and county that authorized the creation of a redevelopment agency may loan or grant funds to a successor agency for administrative costs, enforceable obligations, or project-related expenses at the city's discretion. An enforceable obligation shall be deemed to be created for the repayment of those loans. However, the true-up payment is not for administrative costs, enforceable obligations, or project-related expenses. Since \$961,207 of the \$3.9 million loan is for the July true-up payment, this amount is not an enforceable obligation.

In addition, per Finance's ROPS letter dated October 20, 2012, the following items not disputed by the Agency continue to be denied:

- Item Nos. 24 through 27 – Airport Improvement Program and EDA Awards in the amount of \$2.5 million. These projects represent contracts that the redevelopment agency is not a party to; therefore, these items are not enforceable obligations.

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is \$9,785,650 as summarized below:

<b>Approved RPTTF Distribution Amount</b>	
<b>For the period of January through June 2013</b>	
Total RPTTF funding requested for obligations	\$ 9,541,615
Less: Six-month total for item(s) denied or reclassified as administrative cost	
Item 24	5,263
Item 25	16,200
Item 26*	0
Item 27	20,750
Total approved RPTTF for enforceable obligations	<u>\$ 9,499,402</u>
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	<u>286,248</u>
<b>Total RPTTF approved:</b>	<b>\$ 9,785,650</b>

\*No RPTTF funding requested for the reporting period

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS III form the estimated obligations and actual payments associated with the January through June 2012 period. The amount of RPTTF approved in the above table will be adjusted by the county auditor-controller to account for differences between actual payments and past estimated obligations. Additionally, these estimates and accounts are subject to audit by the county auditor-controller and the State Controller.

The amount available from the RPTTF is the same as the property tax increment that was available prior to enactment of ABx1 26 and AB 1484. 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 to the successor agency in the RPTTF.

Except for items disallowed as noted above, Finance is not objecting to the remaining items listed in your ROPS III. Obligations deemed not to be enforceable shall be removed from your ROPS. This is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2013. Finance's determination is effective for this time period only and should not be conclusively relied upon for future periods. All items listed on a future ROPS are subject to a subsequent review and may be denied even if it was or was not questioned on this ROPS or a preceding ROPS.

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Please direct inquiries to Evelyn Sues, Dispute Resolution Supervisor, or Mary Halterman, Analyst, at (916) 445-1546.

Sincerely,



STEVE SZALAY  
Local Government Consultant

cc: Mr. Shawn Tillman, Senior Planner, City of Chico  
Ms. Maria Solis, Auditor-Accountant, Butte County Auditor-Controller  
California State Controller's Office