



December 18, 2012

Ms. Devon Rodriguez, Development Specialist  
City of Citrus Heights  
6237 Fountain Square Drive  
Citrus Heights, CA 95621

Dear Ms. Rodriguez:

**Subject: Recognized Obligation Payment Schedule**

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated October 6, 2012. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Citrus Heights Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on August 23, 2012 for the period of January 1 through June 30, 2013. Finance issued its determination related to those enforceable obligations on October 6, 2012. Subsequently, the Agency requested a Meet and Confer session on one of the items denied by Finance. The Meet and Confer session was held on November 27, 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. 1 – City Loan in the amount of \$939,500. Finance no longer objects to this item. Finance denied this item per HSC section 34171 (d) (2) which states that agreements, contracts, or arrangements between the city that created the redevelopment agency (RDA) and the former RDA are not enforceable, unless the loan originated within two years of the RDA's creation. During the meet and confer process, the Agency provided documentation supporting the loans were made within the first two years of creation. The former RDA was established January 10, 1998 per City Ordinance 97-20. Three loans made during the first two years of its creation, \$578,500 on February 25, 1998; \$590,000 on September 23, 1998; and \$516,000 on June 16, 1999, totaling \$1,684,500. The Agency made principal payments prior to the dissolution date totaling \$155,000 and was approved for \$160,800 in payments on prior ROPS; therefore, the remaining outstanding balance of loans within the first two years is \$1,368,700 and eligible for RPTTF funding.
- Finance denied \$13,111 in administrative costs that exceeded the administrative cost allowance for fiscal year 2012-13 (See table below for calculation). The Agency contends that Finance's calculation of administrative cost allowance for the fiscal year is incorrect based on the actual amount disbursed by the Sacramento County Auditor-Controller. The administrative cost claimed for July through December 2012 should be based on the \$125,000 amount disbursed to the Agency by the Sacramento County

Auditor-Controller. Therefore, the Agency has sufficient remaining administrative cost allowance as requested on ROPS III.

	Initial	Adjusted
Maximum administrative cost allowance for fiscal year 2012-13*	\$250,000	\$250,000
Less: Administrative costs claimed for July through December 2012**	132,569	125,000
Less: Administrative costs claimed for January through June 2013	125,000	125,000
Overage	(\$13,111)	\$0***

\* Per HSC 34171 (b), the amount is the greater of 3 percent of the agency's property tax allocation or \$250,000.

\*\* Per actual amount paid by the Sacramento County Auditor-Controller.

\*\*\* The Agency's total administrative cost claimed is below the administrative cost allowance for the fiscal year; hence, the allowable administrative cost for ROPS III should equal the amount requested.

In addition, per Finance's ROPS letter dated October 6, 2012, the following items continue to be denied and were not contested by the Agency:

- Item No. 6 – Sayonara Housing Project in the amount of \$25,380. HSC section 34176 (a) (2) states if a city, county, or city and county elects to retain the authority to perform housing functions previously performed by a RDA, all rights, powers, duties, obligations and housing assets shall be transferred to the city, county, or city and county. Because the Housing Entity of the City of Citrus Heights assumed the housing functions, the costs associated with housing functions are the responsibility of the housing successor. Therefore, these items are not enforceable obligations and not eligible for RPTTF funding.

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is \$190,000 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	\$ 71,690
Less: Six-month total for items denied or reclassified as administrative cost	
Item 6	6,690
Total approved RPTTF for enforceable obligations	65,000
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	125,000
<b>Total RPTTF approved:</b>	<b>\$ 190,000</b>

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.

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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.

Please direct inquiries to Evelyn Suess, Dispute Resolution Supervisor, or Danielle Brandon, Analyst, at (916) 445-1546.

Sincerely,



STEVE SZALAY  
Local Government Consultant

cc: Ms. Rhonda Sherman, Community & Economic Development Director, City of Citrus Heights  
Mr. Carlos Valencia, Senior Accounting Manager, County of Sacramento  
California State Controller's Office