DEPARTMENT OF FINANCE

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December 18, 2012

Mr. Dave White, Deputy City Manager
City of Fairfield
1000 Webster Street
Fairfield, CA 94530

Dear Mr. White:

Subject: Recognized Obligation Payment Schedule

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated October 12, 2012. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Fairfield Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on August 29, 2012 for the period of January 1 through June 30, 2013. Finance issued its determination related to those enforceable obligations on October 12, 2012. Subsequently, the Agency requested a Meet and Confer session on one or more of the items denied by Finance. The Meet and Confer session was held on November 9, 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. 27 – Office Space Lease in the amount of $22,259. Finance no longer objects to $9,786 out of the $12,473 claimed in ROPS III; however, Finance reclassifies the amount as an administrative cost. Finance denied the item as an enforceable obligation as 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 redevelopment agency (RDA), all rights, powers, duties, obligations, and housing assets shall be transferred to the city, county, or city and county. Since the City assumed the housing functions, the operating and administrative costs associated with these functions are the responsibility of the housing successor. The Agency contends the item is an enforceable obligation because the office space is empty and not being used in connection with the housing activities that transferred to the local housing authority. Based on a review of additional information and documents provided, Finance agrees that the office space lease is an enforceable obligation under the administrative cost cap. The lease requires monthly payments of $3,262 and expires on March 31, 2013. Therefore, for ROPS III, the amount of $9,786 (i.e. $3,262 per month times the three months from January thru March 2013) is an allowed administrative cost. However, the Agency received their full administrative allowance of $250,000 in the July through December 2012 period; therefore, the administrative cap has been exceeded by $9,786.

In addition, per Finance's ROPS letter dated October 12, 2012, the following items not disputed by the Agency continue to be denied:

- Item No. 14 and 15 – Interagency loans between the City and Agency totaling $83 million. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city that created the RDA and the former RDA are not enforceable, unless issued within two years of the RDA's creation date or for issuance of indebtedness to third-party investors or bondholders. Therefore, these items are not enforceable obligations at this time. Upon receiving a Finding of Completion from Finance, HSC section 34191.4 (b) may cause these items to be enforceable in future ROPS periods.

- Item Nos. 31 and 32 –Roseburg Townhome obligations in the amount of $7,500. 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. Since the City assumed the housing functions, the operating and administrative costs associated with these functions are the responsibility of the housing successor. Therefore, these items are not enforceable obligations and not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is: $1,425,155 as summarized in the following table:

Approved RPTTF Distribution Amount For the period of January through June 2013		
Total RPTTF funding requested for obligations	$	1,454,914
Less: Six-month total for item(s) denied or reclassified as administrative cost		
Item 14		0
Item 15		0
Item 27		22,259
Item 31		1,500
Item 32		6,000
Total approved RPTTF for enforceable obligations	$	1,425,155
Plus: Allowable RPTTF distribution for administrative cost for ROPS III		0
Total RPTTF approved:	$	1,425,155

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.

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

Sincerely,

Steve Szalay
Local Government Consultant

cc: Mr. Sean P. Quinn, City Manager, City of Fairfield
Mr. Jun Adeva, Deputy Auditor Controller, County of Solano
California State Controller's Office