



October 20, 2012

Ms. Stacey Tamagni, Financial Analyst
Folsom Redevelopment Successor Agency
50 Natoma Street
Folsom, CA 95630

Dear Ms. Tamagni:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the Folsom Redevelopment 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 through June 2013. Finance has completed its review of your ROPS III, which may have included obtaining clarification for various items.

HSC section 34171 (d) defines enforceable obligations. Based on a sample of line items reviewed and application of the law, the following do not qualify as enforceable obligations:

- Item No. 17 – 2613 - Folsom Public Plaza in the amount of \$86,327 payable from Redevelopment Property Tax Trust Fund (RPTTF). This item is related to number 15 below. The related costs are also not considered an enforceable obligation.
- Item No. 20 – Housing Legal Fees associated with winding down RDA in the amount of \$10,000 payable from RPTTF. This item is identified as an obligation of the housing entity. HSC section 34176 (a) (1) requires the housing entity to be responsible for the housing duties and obligations previously performed by the redevelopment agency. The housing entity is responsible for its own operations and administrative costs.
- Item No 23 – Project Area Loan Servicing in the amount of \$21,300 payable from the Low and Moderate Income Housing Fund. This item was not listed on the Housing Asset form submitted previously. Also, this item is identified as an obligation of the housing entity. HSC section 34176 (a) (1) requires the housing entity to be responsible for the housing duties and obligations previously performed by the redevelopment agency. The housing entity is responsible for its own operations and administrative costs.
- Item No. 24 – Contract with Granite Folsom, LP for low-mod housing construction in the amount of \$1,710,965 funded by bond proceeds. HSC section 34163 (b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011. It is our understating that contracts for this item have not yet been awarded. If the

Agency receives a finding of completion from Finance, the Agency may be able to use bond proceeds for the purpose for which the bonds were sold.

Finance reviewed additional information provided by the Agency subsequent to our July 17, 2012 meeting. However, the following item remains denied as an enforceable obligation:

- Item No. 15 – C & C Construction contract with City of Folsom for Public Plaza in the amount of \$500,000 payable from Redevelopment Property Tax Trust Fund (RPTTF). HSC section 34163 (b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011. A valid contract signed prior to June 27, 2011 between the former RDA and C & C Construction was not submitted. An Oversight Board resolution was submitted indicating the Executive Director was authorized to execute the agreement; however, the City Manager, City Clerk, Financial Director, Public Works Director and the City Attorney executed the contract, not the executive director.

Although the following item was denied on previous ROPS schedules for the periods January through June 2012 (ROPS I) and July through December 2012 (ROPS II), based on review of additional information provided to us, we are no longer denying it:

- Item No. 16 – RD0901 – Streetscape in the amount of \$341,524 payable from RPTTF.

Furthermore, Item Nos. 13, 14 and 26 totaling \$25,500 were reclassified as administrative costs. Although this reclassification increased administrative costs to \$150,500, the administrative cost allowance has not been exceeded.

Except for items denied in whole or in part as enforceable obligations as noted above, Finance is approving the remaining items listed in your ROPS III. If you disagree with the determination with respect to any items on your ROPS III, you may request a Meet and Confer within five business days of the date of this letter. The Meet and Confer process and guidelines are available at Finance's website below:

http://www.dof.ca.gov/redevelopment/meet_and_confer/

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is: \$5,980,638 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2013	
Total RPTTF funding requested for obligations	\$ 6,446,965
Less: Six-month total for item(s) denied or reclassified as administrative cost	
Item 13*	3,000
Item 14*	5,000
Item 15	500,000
Item 17	86,327
Item 20	5,000
Item 26*	17,500
Total approved RPTTF for enforceable obligations	\$ 5,830,138
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	150,500
Total RPTTF approved:	\$ 5,980,638

*Reclassified to administrative costs

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.

Please refer to the ROPS III schedule that was used to calculate the approved RPTTF amount:

[http://www.dof.ca.gov/redevelopment/ROPS/ROPS III Forms by Successor Agency/](http://www.dof.ca.gov/redevelopment/ROPS/ROPS%20III%20Forms%20by%20Successor%20Agency/).

All items listed on a future ROPS are subject to a subsequent review. An item included on a future ROPS may be denied even if it was not questioned from the preceding ROPS.

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.

Please direct inquiries to Nichelle Thomas, Supervisor or Susana Medina Jackson, Lead Analyst at (916) 445-1546.

Sincerely,


STEVE SZALAY
Local Government Consultant

cc: Ms. Terri Hemley, Financial Services Manager, Folsom Redevelopment Successor Agency
Mr. Carlos Valencia, Senior Accounting Manager, Sacramento County