



December 18, 2012

Mr. Jeff Rein, Deputy Chief Administrative Officer
Lake County
255 North Forbes Street
Lakeport, CA 95453

Dear Mr. Rein:

Subject: Recognized Obligation Payment Schedule

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated October 15, 2012. Pursuant to Health and Safety Code (HSC) section 34177 (m), the Lake County Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on August 31, 2012 for the period of January 1 through June 30, 2013. Finance issued its determination related to those enforceable obligations on October 15, 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 6, 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 items being disputed.

- Item Nos. 2 and 3 – Relocation payments totaling \$18,232 Redevelopment Property Tax Trust Fund (RPTTF) funding. Finance is no longer denying the items. The agreements were entered into prior to June 27, 2011 and provide rental assistance to the two specified individuals for a period of time as a means to compensate them for their displacement resulting from Redevelopment Agency (RDA) projects. We note that this upcoming ROPS period is the last period in which payments are due.
- Item No. 4 – Grant Match in the amount of \$224,444 Finance is not denying the item, but is instead revising the requested funding amount to \$0 for this ROPS period. This item is to provide a match to a state grant for the Safe Routes to School. No documentation was provided to show support that current expenditure contracts are in place to complete construction. According to the Caltrans project status, no state funds have been expended on this project. It is our understanding based on information provided that the match is to primarily pay for construction activities. Therefore, this item is not eligible for RPTTF funding at this time, as construction activities likely will not occur until the next ROPS period.
- Item No. 5 – Contract for consulting services in the amount of \$2,500 RPTTF. Finance continues to deny the item. This item is related to the monitoring of housing covenants.

Maintenance and/or administrative costs associated with the former RDA's previous housing functions are not enforceable obligations. Upon the transfer of the former RDA's housing functions to the new housing entity, Health and Safety Code (HSC) section 34176 requires that, "all rights, powers, duties, obligations and housing assets, ... shall be transferred" to the new housing entity. This transfer of "duties and obligations" necessarily includes the transfer of any on-going maintenance and administrative costs. To conclude that such costs should be on-going enforceable obligations of the successor agency would require a transfer of tax increment for life – directly contrary to the wind down directive in ABx1-26/AB1484.

In addition, per Finance's determination letter dated October 15, 2012, the following items were not disputed by the Agency and continue to be denied at this time:

- Item Nos. 7 through 11 – County Notes Payables between the County and Agency totaling \$2.3 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

The Agency's maximum approved RPTTF distribution for the reporting period is: \$28,232 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2013	
Total RPTTF funding requested for obligations	\$ 245,176
Less: Six-month total for item(s) denied or reclassified as administrative cost	
Item 4	224,444
Item 5	2,500
Item 7	0
Item 8	0
Item 9	0
Item 10	0
Item 11	0
Total approved RPTTF for enforceable obligations	\$ 18,232
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	10,000
Total RPTTF approved:	\$ 28,232

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 Danielle Brandon, Analyst, at (916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Mr. Matt Perry, Chief Administrative Officer, Lake County
Ms. Cathy Saderlund, Auditor-Controller, Lake County
Ms. Liz Martinez, Accountant II, Lake County
California State Controller's Office