



December 18, 2012

Mr. Odi Ortiz, Assistant City Manager/Finance Director
City of Livingston Redevelopment Agency
1416 "C" Street
Livingston, CA 95334

Dear Mr. Ortiz:

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 Livingston 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 or more of the items denied by Finance. The Meet and Confer session was held on November 13, 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 No. 1 – Reimbursement Agreement in the amount of \$511,192. Finance continues to deny the item at this time. HSC section 34171 (d) (1) (B) states that loans of money borrowed by the redevelopment agency (RDA) for a lawful purpose need to have a repayment schedule or loan terms. A Cooperation Agreement between the RDA and the City of Livingston (City) was provided, but does not detail an amount, loan terms, or a repayment schedule. While the Agency has demonstrated that repayments have been occurring and an advance was made in the first two years of the RDA's creation, there is no fixed repayment schedule or terms. Therefore, this line item is currently not an enforceable obligation and is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding 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 No. 2 – Livingston Court Theater Project in the amount of \$361,524 payable from RPTTF. Finance continues to deny the item. The grant agreement provided is between the City and the California Department of Parks and Recreation and was signed on January 12, 2012. The RDA is not a party to the agreement or responsible for payment. Additionally, it appears that the grant period expired prior to the signing of the extension. Even if the Agency was a party to the contract, HSC section 34163 (c) would have

prohibited the Agency from amending or modifying existing agreements, obligations, or commitments with any entity. This includes approving or accepting extensions to grants. Therefore, this item is not an enforceable obligation.

In addition, per Finance's determination letter dated October 20, 2012, the following items not being disputed by the Agency continue to be denied and/or reclassified as an administrative cost:

- Item No. 4 – Contract for Consulting Services in the amount of \$2,945 payable from RPTTF. This is a Network Maintenance Agreement between Quick PC Support LLC and the City. The RDA is not a party to the contract or responsible for payment; therefore, the item is not an enforceable obligation.
- Although Item Nos. 3, 5, and 6 were reclassified as administrative costs, the administrative cost allowance has not been exceeded.

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is \$49,243 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2013	
Total RPTTF funding requested for obligations	\$ 298,889
Less: Six-month total for items denied or reclassified as administrative cost	
Item No. 1	274,394
Item No. 2*	0
Item No. 3**	9,300
Item No. 4	2,945
Item No. 5**	12,000
Item No. 6**	250
Total approved RPTTF for enforceable obligations	<u>\$0</u>
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	<u>49,243</u>
Total RPTTF approved:	\$ 49,243

* No RPTTF funding requested for the reporting period

**Reclassified as administrative cost

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,

A handwritten signature in black ink, appearing to read 'Steve Szalay', with a date '12/18' written below it.

STEVE SZALAY
Local Government Consultant

cc: Mr. Jose Antonio Ramirez, City Manager, City of Livingston
Ms. Sylvia Sanchez, Supervising Accountant, County of Merced
California State Controller's Office