



December 18, 2012

Ms. Jennifer La Liberte, Economic Development Manager
City of Napa
1600 Clay Street
Napa, CA 94559

Dear Ms. La Liberte:

Subject: Recognized Obligation Payment Schedule

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated September 26, 2012. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Napa Successor Agency (Agency) submitted a ROPS to the California Department of Finance (Finance) on August 15, 2012 for the period of January 1 through June 30, 2013. Finance issued its determination related to those enforceable obligations on September 26, 2012. Subsequently, the Agency requested a Meet and Confer session for one or more of the items denied by Finance. The Meet and Confer session was held on Wednesday, October 10, 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. 12 – Loan from the City of Napa's (City) Water Fund in the amount of \$1,005,470. Finance denied the item because it is a loan between the former redevelopment agency (RDA) and the City. According to HSC section 34171 (d)(2) loans between the city that created the RDA and the former RDA are not enforceable obligations unless the loan agreement was entered into within the first two years of the creation of the RDA. Because the RDA was created in 1969 and the loan was issued in 2008, this item was determined not to be eligible for payment out of the Redevelopment Property Tax Trust Fund. The Agency contends enterprise fund provisions require the funds be repaid and should be approved as an enforceable obligation. However, based on review of additional information and documentation provided to Finance during the Meet and Confer process, Finance continues to object to the loan at this time. HSC section 34191.4 states that upon receiving a Finding of Completion, loan agreements between the city that created the RDA and the Agency may become enforceable obligations.

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is \$2,284,754 as summarized in the following table:

Approved RPTTF Distribution Amount For the period of January through June 2013	
Total RPTTF funding requested for obligations	\$ 2,260,258
Less: Six-month total for item(s) denied or reclassified as administrative cost Item No. 12	100,547
Total approved RPTTF for enforceable obligations	\$ 2,159,711
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	125,043
Total RPTTF approved:	\$ 2,284,754

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. Bob Minahen, Assistant Auditor Controller, County of Napa
California State Controller's Office