DEPARTMENT OF FINANCE

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December 18, 2012

Ms. Sarah Haddox, Sr. Redevelopment Project Coordinator
City of Redding
777 Cypress Avenue
Redding, CA 96001

Dear Ms. Haddox:

Subject: Recognized Obligation Payment Schedule

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated October 3, 2012. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Redding Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on August 20, 2012 for the period of January 1 through June 30, 2013. Finance issued its determination related to those enforceable obligations on October 3, 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 October 24, 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.

- Items 10 through 13, 30, and 56 totaling $208,069 for various agreements and contracts. Finance no longer objects to the items. Finance originally denied the items as HSC section 34163 prohibits the former RDA from entering into a contract with any entity after June 27, 2011. However, based on our review of information previously provided and additional information provided during the Meet and Confer session, the agreements and contracts in question were presented in their entirety and approved by the former RDA Board on June 20, 2011. Additionally, it is not evident that any changes to those agreements or contracts took place between the approval and actual execution. Therefore, the execution of the agreements or contracts was a ministerial act and these items are enforceable obligations and are eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.

- Items 59 through 61 totaling $232,944. It is our understanding that this amount represents the difference between approved enforceable obligations and the amount of RPTTF received. Successor agencies are allowed to list the unfunded RPTTF amounts on a subsequent ROPS, if they can demonstrate that they actually received insufficient RPTTF. Based on the documentation provided, the Shasta County Auditor-Controller confirmed via email the amount of RPTTF distributed to the Agency for the ROPS period of July through December 2012. When compared to the approved ROPS amounts for the same period, the Agency received insufficient RPTTF. Because successor agencies are only allowed to expend resources on approved enforceable obligations from the

funding source listed on the ROPS, the Agency cannot use reserves to cover the shortfall in RPTTF. Finance is approving Items 59 through 61 for payment during the upcoming ROPS period.

The Agency's maximum approved RPTTF distribution for the reporting period is: $2,068,526 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2013		
Total RPTTF funding requested for obligations	$	1,970,399
Less: Six-month total for item(s) denied or reclassified as administrative cost		
Total approved RPTTF for enforceable obligations	$	1,970,399
Plus: Allowable RPTTF distribution for administrative cost for ROPS III		98,127
Total RPTTF approved:	$	2,068,526

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: Ms. Sherri Jenkins, Managing Accountant Auditor, County of Shasta
California State Controller's Office