DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR
915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

October 14, 2012

Ms. Melissa Hagan, Financial Analyst
City of Roseville
311 Vernon Street
Roseville, CA 95678

Dear Ms. Hagan:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Roseville Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on August 30, 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 Nos. 1 through 13 – City Loans in the amount of $26.5 million funded by Redevelopment Property Tax Trust Fund (RPTTF) funding. HSC section 34171 (d) (2) states that loans between the City that created the redevelopment agency (RDA) and the successor agency are not enforceable obligations. 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 Nos. 25 and 26 – Interfund Loans in the amount of $816,846 RPTTF funding. HSC section 34176 (e) (6) (B) specifies loan or deferral repayments to the low and moderate income housing fund shall not be made prior to the 2013-14 fiscal year.

- HSC section 34163 (b) prohibits the RDA from entering into a contract with any entity after June 27, 2011. The following items did not have valid contracts executed prior to June 27, 2011:

    - Item 37 – Building and Land Maintenance in the amount of $15,000 RPTTF
    - Item 38 – Housing Bond Fund 2006HT in the amount of $2 million
    - Item 41 – USPS Relocation Costs in the amount of $470,000; no funding source specified.

- Item No. 30 – Pass Through Payments to School Districts in the amount of $450,000 of RPTTF and Reserve Balance funding. Beginning July 1, 2012, the county auditor-controller is responsible for distributing property tax increment funds to the taxing

entities. Therefore, these items should not appear on the Agency's ROPS as enforceable obligations.

- Item No. 42 – Housing Indirect Costs in the amount of $67,615 of RPTTF. HSC section 34176 (a) (1) states that the Housing Successor Entity shall be responsible for the housing functions and obligations previously performed by the RDA. Therefore, the Housing Successor Entity is responsible for its own operations and administrative costs and the item is not eligible for RPTTF funding.

- Administrative costs claimed for RPTTF exceed the allowance by $28,668. HSC section 34171 (b) limits the 2012-13 administrative expenses to three percent of property tax allocated to the Agency or $250,000, whichever is greater.

Administrative cost cap for fiscal year 2012-13	$250,000
Administrative costs claimed for July through December 2012	125,004
Administrative costs claimed for January through June 2013*	153,664
Overage	$28,668

*Includes reclassified Item No. 40 – Audit Charges in the amount of $5,498.

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 $ 2,338,909 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2013			
Total RPTTF funding requested for obligations	$	2,446,534	
Less: Six-month total for items denied or reclassified as administrative cost			
Items 1 throuhg 13		0	*
Items 25 and 26		0	*
Item 30		144,508	
Item 37		15,000	
Item 40		5,498	**
Item 42		67,615	
Total approved RPTTF for enforceable obligations		2,213,913	
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	$	124,996	
Total RPTTF approved:		2,338,909	

*No RPTTF funding requested for the reporting period

**Reclassified as administrative cost

Administrative Cost Calculation		
Total RPTTF for the period July through December 2012	$	1,569,857
Total RPTTF for the period January through June 2013		2,213,913
Total RPTTF for fiscal year 2012-13:	**$**	**3,783,770**
Allowable administrative cost for fiscal year 2012-13 (Greater of 3% or $250,000)		250,000
Administrative allowance for the period of July through December 2012		125,004
Allowable RPTTF distribution for administrative cost for ROPS III:	**$**	**124,996**

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/.

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 Beliz Chappuie, Supervisor or Cindie Lor, Lead Analyst at (916) 445-1546.

Sincerely,

STEVE SZALAY
Local Government Consultant

cc: Ms. Jan Shonkwiller, Housing Manager, City of Roseville
Ms. Jayne Goulding, Managing Accountant Auditor, Placer County