



December 18, 2012

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

Dear Ms. Hagan:

Subject: Recognized Obligation Payment Schedule

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated October 14, 2012. 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 1 through June 30, 2013. Finance issued its determination related to those enforceable obligations on October 14, 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 31, 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 37 – Building and Land Maintenance in the amount of \$15,000 Redevelopment Property Tax Trust Fund (RPTTF) funding. Finance originally denied this item as HSC section 34163 (b) prohibits the Redevelopment Agency (RDA) from entering into a contract with any entity after June 27, 2011 and the item did not have a valid contracts executed prior to June 27, 2011. Unfortunately, we continue to deny this item at this time. While costs associated with maintaining former RDA assets prior to disposition are carved out from the administrative cost cap, there is no agreement with any entity to provide these services during the upcoming ROPS period. To the extent costs arise related to maintaining property, which necessitates the Agency to enter into an agreement with a third party to provide services, the Agency may list those costs on a subsequent ROPS for consideration.
- Item 38 – Housing Bond Fund 2006HT in the amount of \$2 million. Finance continues to deny this item. HSC section 34163 (b) prohibits the RDA from entering into a contract with any entity after June 27, 2011. The item did not have valid contracts executed prior to June 27, 2011. Assuming the excess bond proceeds requested for use were issued prior to January 1, 2011, 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. 30 – Pass Through Payments to School Districts in the amount of \$450,000 of RPTTF and Reserve Balance funding. Finance continues to deny this item. Beginning July 1, 2012, the county auditor-controller is responsible for distributing property tax increment funds to the taxing entities. We understand there are concerns regarding the correct calculation of the pass through payments by the county auditor-controller. We would encourage both entities to work collaboratively to ensure payments are made correctly.
- Administrative costs claimed for RPTTF exceed the allowance by \$5,498. 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. The Agency informed Finance that they only received \$101,834 in the previous ROPS period for administrative costs. During the upcoming ROPS period, in which Finance continues to reclassify Item 40 as an administrative cost, the Agency has requested \$153,664 for administrative costs. That leaves \$5,498 in excess of the administrative cost cap.

In addition, per Finance's determination letter dated October 14, 2012, the following items were not disputed by the Agency and continue to be denied:

- Item Nos. 1 through 13 – City Loans in the amount of \$26.5 million funded by RPTTF funding. HSC section 34171 (d) (2) states that loans between the City that created the 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.
- Item 41 – USPS Relocation Costs in the amount of \$470,000; no funding source specified. HSC section 34163 (b) prohibits the RDA from entering into a contract with any entity after June 27, 2011. Item 41 did not have valid contract executed prior to June 27, 2011.
- Item No. 42 – Housing Indirect Costs in the amount of \$67,615 RPTTF funding. 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.

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is \$ 2,362,079 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 through 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	\$ 148,166
Total RPTTF approved:	2,362,079

*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	101,834
Allowable RPTTF distribution for administrative cost for ROPS III:	\$ 148,166

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.

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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. Jan Shonkwiller, Housing Manager, City of Roseville
Ms. Jayne Goulding, Managing Accountant Auditor, Placer County
California State Controller's Office