



October 15, 2012

Mr. Jeremy Craig, Finance Director
City of Vacaville
600 Merchant Street
Vacaville, CA 95688

Dear Mr. Craig:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Vacaville successor agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on August 31, 2011 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 No. 5 – Stranded bond proceeds from the 2006 Taxable Housing Bond in the amount of \$6.2 million. It is our understanding that contracts for this line item have not been awarded. HSC section 34163 (b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011. In addition, it is not evident the Agency has met the requirements outlined in HSC section 34176 (g) (1) (B). Upon receiving a Finding of Completion from Finance, these items may become enforceable pursuant to HSC section 34191.4 (c). Until then, they are not enforceable obligations and not authorized for payment.
- Item No. 8 – Community Facilities District Fees contract totaling \$7.1 million was amended on June 28, 2011. HSC section 34163 (c) prohibits a redevelopment agency from amending or modifying an existing contract with any entity after June 27, 2011. Therefore this is not an enforceable obligation and is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.
- Item 19 – in the amount of \$41.8 million is an expired contract to provide property tax revenues to a third party. The contract expired in 2009 as stated in the first amendment to the development agreement. The Agency did not provide any additional documentation to show that this was extended to 2013. Therefore, this item is not an enforceable obligation and is not eligible for RPTTF funding.

- Administrative costs funded by RPTTF exceed the allowance by \$118,813. HSC section 34171 (b) limits administrative costs to three percent of property tax allocated to the successor agency or \$ 250,000, whichever is greater. As a result, the Agency is eligible for \$346,303 in fiscal year 2012-13. The Agency received \$210,080 for the period of July through December 2012. The maximum amount of administrative costs remaining for January through June 2013 is \$136,223. Therefore, \$118,813 of the claimed \$255,036 is not allowed.

Except for item denied in whole or in part as enforceable obligation 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: \$4,676,974 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2013	
Total RPTTF funding requested for obligations	\$ 8,501,206
Less: Six-month total for item denied or reclassified as administrative cost	
Item No. 8	460,455
Item No. 19	3,500,000
Total approved RPTTF for enforceable obligations	<u>\$ 4,540,751</u>
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	<u>136,223</u>
Total RPTTF approved:	\$ 4,676,974

Administrative Cost Calculation	
Total RPTTF for the period July through December 2012	\$ 7,002,686
Total RPTTF for the period January through June 2013	4,540,751
Total RPTTF for fiscal year 2012-13:	\$ 11,543,437
Allowable administrative cost for fiscal year 2012-13 (Greater of 3% or \$250,000)	346,303
Administrative allowance for the period of July through December 2012	210,080
Allowable RPTTF distribution for administrative cost for ROPS III:	\$ 136,223

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 Robert Scott, Supervisor or Derk Symons, Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Ms. Cyndi Johnston, Housing and Redevelopment Director, City of Vacaville
Ms. Emily Cantu, Project Coordinator, City of Vacaville
Mr. Jun Aveda, Chief Deputy Auditor-Controller, County of Solano