



December 18, 2012

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

Dear Mr. Craig:

Subject: Recognized Obligation Payment Schedule

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated October 15, 2012. 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, 2012 for the period of January 1 through June 30, 2013. Finance issued its determination related to those enforceable obligations on October 15, 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 November 15, 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.

- Item No. 5 – Stranded bond proceeds from the 2006 Taxable Housing Bond in the amount of \$6.2 million. Finance continues to deny the item at this time. Finance denied the item as it is our understanding that contracts for the item have not been awarded. HSC section 34163 (b) prohibits a redevelopment agency (RDA) 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). The Agency requested further clarification on the use of housing bond proceeds by the housing successor. The housing successor can follow the process set forth in HSC section 34176 (g), which authorizes the housing successor to designate the use of and commit bond proceeds that remain after the satisfaction of enforceable obligations that have been approved in a ROPS and that are consistent with the bond covenants. The proceeds must have been derived from bonds that were issued for the purposes of affordable housing and issued prior to January 1, 2011. To initiate this process, the housing successor is required to provide notice to the successor agency of any designations of use or commitments of funds that it wishes to make at least 20 days before the deadline for submission of the ROPS to the Oversight Board. These commitments and designations will not be considered valid or binding until they are included in and approved and valid ROPS. Furthermore, successor agencies will be eligible to expend bonds issued prior to

January 1, 2011, once a finding of completion is received per 34191.4 (c). Those obligations should be reported on a subsequent ROPS.

- Item No. 8 – Community Facilities District Fees contract totaling \$7.1 million was amended on June 28, 2011. Finance continues to deny the item. Finance denied the item as HSC section 34163 (c) prohibits a redevelopment agency from amending or modifying an existing contract with any entity after June 27, 2011. The Agency contends the item is an enforceable obligation because the Low and Moderate Income Housing Fund paid the fees because the properties are restricted by long-term affordability agreements, which provide caps for the amount of rent that can be charged to the low-income tenant occupants. However, the original agreement required the former Agency to pay the fees for three years, the last year being 2010-11, and the amendment to extend the payments was approved 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 – contract to provide property tax revenues to a third party in the amount of \$41.8 million. Finance no longer objects to the item. Finance denied the item as 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. The Agency contends the item is an enforceable obligation because the Agreement became effective on June 23, 1995 and Section 1.2 of the Agreement relating to the term of the Agreement provides that if the property owner, Genentech, Inc., constructs Phase I of its project within 10 years of the Agreement's effective date, the term of the Agreement would be for a period of 30 years. Based on documents provided, Finance deems this item to be an enforceable obligation and is eligible for RPTTF funding.

In addition, per Finance's ROPS letter dated October 15, 2012, the following item not disputed by the Agency continues to be denied:

- Administrative costs funded by RPTTF exceed the allowance by \$13,803. 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 \$451,303 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 \$241,223. Therefore, \$13,803 of the claimed \$255,036 is not allowed.

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is: \$8,281,974 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
Total approved RPTTF for enforceable obligations	<u>\$ 8,040,751</u>
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	<u>241,223</u>
Total RPTTF approved:	\$ 8,281,974

Administrative Cost Calculation	
Total RPTTF for the period July through December 2012	\$ 7,002,686
Total RPTTF for the period January through June 2013	8,040,751
Total RPTTF for fiscal year 2012-13:	\$ 15,043,437
Allowable administrative cost for fiscal year 2012-13 (Greater of 3% or \$250,000)	451,303
Administrative allowance for the period of July through December 2012	210,080
Allowable RPTTF distribution for administrative cost for ROPS III:	\$ 241,223

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.

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 Mary Halterman, Analyst, at (916) 445-1546.

Sincerely,



STEVE SZALAY
 Local Government Consultant
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