



December 18, 2012

Ms. Deborah Lauchner, Finance Director
City of Vallejo
555 Santa Clara Street
Vallejo, CA 94590

Dear Ms. Lauchner:

Subject: Recognized Obligation Payment Schedule

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated October 19, 2012. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Vallejo Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on September 4, 2012 for the period of January 1 through June 30, 2013. Finance issued its determination related to those enforceable obligations on October 19, 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 27, 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 3 – Six Flags parking lot project totaling \$7 million through an Owner Participation Agreement (OPA). Finance continues to deny the item at this time. Finance denied the item as it is our understanding that construction or improvements are not expected to begin until 2015. The contract considers the timing of the obligation to begin when the eligible improvements have been made. There is no current funding obligation during the ROPS III period. Section 1 (d) of the OPA states "Upon Site Development Plan Approval by the City and a finding by the Agency that the Eligible Improvements are reasonable necessary to address the loss or anticipated loss of the overflow parking on the County Fairgrounds, or earlier at the option of the Agency, the entire amount of the Participation Payment shall be deposited in a separate bank account maintained by the Agency to be disbursed in accordance with the terms of Exhibit C." The Agency did not provide documentation to demonstrate that the Site Development Plan has been approved, which would require the deposit of funds into a separate account. Therefore, the item is currently not eligible for funding on this ROPS.
- Item 14 through 23 – Waterfront project totaling \$60.1 million. Finance is not denying the items at this time. However, we note that HSC 34177.3 (a) prohibits a successor agency from creating new enforceable obligations after June 27, 2011. Furthermore, we maintain that no expenditure contracts have been awarded. Additionally, based on the information provided to Finance during the Meet and Confer session, the Development and Disposition Agreement (DDA) lays out a series of steps to be performed by the

former RDA that cannot likely be performed by the Agency. Nevertheless, due to the complexity of the DDA, Finance will review all items that pertain to the DDA during the next ROPS period. The Agency, or any other parties, should not conclusively rely upon this limited six month approval, as approval for the entire DDA and its associated projects.

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is: \$1,864,306 as summarized below:

Approved RPTTF Distribution Amount	
For the period of January through June 2013	
Total RPTTF funding requested for obligations	\$ 1,739,306
Less: Six-month total for item(s) denied or reclassified as administrative cost	
Total approved RPTTF for enforceable obligations	<u>\$ 1,739,306</u>
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	<u>125,000</u>
Total RPTTF approved:	\$ 1,864,306

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: On following page

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cc: Ms. Elena Adair, Assistance Finance Director, City of Vallejo
Mr. Jun Adeva, Chief Deputy Auditor-Controller, County of Solano
Ms. Simona Padilla-Scholtens, Solano County Auditor-Controller, County of Solano
California State Controller's Office