DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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December 18, 2012

Mr. Allen Falleri
City of Willits
111 E. Commercial Street
Willits, CA 95490

Dear Mr. Falleri:

Subject: Recognized Obligation Payment Schedule

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated October 29, 2012. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Willits Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on September 20, 2012 for the period of January 1 through June 30, 2013. Finance issued its determination related to those enforceable obligations on October 29, 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 19, 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 Nos. 7 and 8 – City loans from 1983 totaling $501,690. Finance no longer objects to $499,080 for the items and continues to deny $2,610 for the items. Finance denied the items as the Agency was created in 1982 and while there are exceptions recognizing loans between the City and the Agency as enforceable obligations, no repayment schedules were provided. HSC section 34171 (d) (1) (B) allows loans to be enforceable only if they are legally required to be repaid pursuant to a required repayment schedule or other mandatory loan terms. The Agency contends the items are enforceable obligations because the loan was authorized on March 9, 1983 by Resolution No. 83-14, within two years of the creation of the RDA and City Council Resolution No. 2012-01 required repayment of the entire loan. Per HSC section 34171 (d) (2), loan agreements entered into between the RDA and the city, county, or city and county that created it, within two years of the date of creation of the RDA, may be deemed to be enforceable obligations. Based on information provided, the total amount due is $499,080 and not the $501,690 requested. Therefore, the items are enforceable obligations totaling $499,080.

In addition, per Finance's ROPS letter dated October 29, 2012, the following items not disputed by the Agency continue to be denied:

- Claimed administrative costs exceed the allowance by $11,000. HSC section 34171 (b) limits fiscal year 2012-13 administrative expenses 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 $250,000 in administrative expenses. The Mendocino County Auditor Controller's Office distributed $125,000 of administrative costs for the July through December 2012 period, thus leaving a balance of $125,000 available for the January through June 2013 period. Although $125,000 is claimed for administrative cost, Items No. 4 and 6 for audit and legal fees totaling $11,000 are considered administrative expenses and should be counted toward the cap. Therefore, $11,000 of excess administrative cost is not allowed.

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is: $715,754 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2013		
Total RPTTF funding requested for obligations	$	604,364
Less: Six-month total for items reclassified as administrative cost		
Item 4*		5,000
Item 6*		6,000
Item 8		2,610
Total approved RPTTF for enforceable obligations	$	590,754
Plus: Allowable RPTTF distribution for administrative cost for ROPS III		125,000
Total RPTTF approved:	$	715,754

* Reclassified as administrative cost

Administrative Cost Calculation		
Total RPTTF for the period July through December 2012	$	351,600
Total RPTTF for the period January through June 2013		590,754
Total RPTTF for fiscal year 2012-13:	**$**	**942,354**
Allowable administrative cost for fiscal year 2012-13 (Greater of 3% or $250,000)		250,000
Administrative allowance for the period of July through December 2012		125,000
Allowable RPTTF distribution for administrative cost for ROPS III:	**$**	**125,000**

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

cc: Ms. Joanne Cavallari, Finance Director, City of Willits
Ms. Meredith J. Ford, Mendocino County Auditor-Controller
California State Controller's Office