



April 13, 2013

Mr. David Loya, Community Development Deputy Director
City of Arcata
736 F Street
Arcata, CA 95221

Dear Mr. Loya:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Arcata Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14A) to the California Department of Finance (Finance) on February 28, 2013 for the period of July through December 2013. Finance has completed its review of your ROPS 13-14A, 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. 4 – 2012/13 Escrow Payment in the amount of \$1 million. Section 4.09 of the Loan Agreement requires remaining tax revenues available to be placed into an escrow account with the Trustee when the former redevelopment agency's (RDA) total outstanding debt service reaches eighty five percent (85%) annual tax revenues received. Since the dissolution, the Agency is not permitted to incur new debt and receive Redevelopment Property Tax Trust Fund (RPTTF) for its outstanding enforceable obligations. Therefore, the loan requirement is no longer applicable. However, the Agency is permitted to hold reserves when the next property tax allocation will be insufficient to pay all obligations due under the provisions of the bond for the next payment due in the following half of the calendar year pursuant to HSC section 34171 (d) (A). Our review of the Agency's Other Funds and Accounts Due Diligence review indicated the Agency currently is holding over \$3.1 million in their debt service fund and has established adequate reserves for this loan. Therefore, Finance is adjusting the requested RPTTF to zero for the July 2013 through December 2013 period and approving funding from reserves.
- Item No. 10 – Plaza Point Mixed Use Development in the amount of \$100,000. According to the information provided by the Agency, the funds were transferred to the City of Arcata (City) and City has already spent those funds. Therefore, the Agency has already fulfilled this obligation; this item is no longer an enforceable obligation and not eligible for RPPTF funding.

- Item No. 11 – Arcata Children’s School Commercial Coach Demolition in the amount of \$10,000, payable from RPTTF. This item was placed on the ROPS schedule contingent on Finance’s determination of Resolution No. 2012/13-09. In our letter dated April 12., 2013, Finance has made a determination on the Resolution that the property transfer is being made for governmental purposes. Therefore, the Arcata School District shall be responsible for the costs of maintaining the property.
- Item No. 12 – Sandpiper Mobile Home Park Operating costs in the amount of \$30,000. The Agency claims the \$30,000 operational costs is the RDA’s obligation pursuant to the loan agreement section 2.d. However, the project was transferred to the City in March 2011 and City assumed the responsibility to complete the project including funding of the remaining obligations on the project. Therefore, this item is not an obligation of the Agency and is not eligible for RPTTF funding.

Finance reviewed the Agency request for additional \$2.4 million funding for the Sandpiper Mobile Park project as follows:

The Loan Agreement dated October 1, 2010 was between the RDA, City, and Resident Owned Parks, Inc. This agreement obligated the RDA to provide set-aside funding in the amount of \$504,862. The first amendment to the loan agreement was executed on September 7, 2011 in order to authorize additional funding in the amount of \$483,000. The agreement was again amended on June 6, 2012 and added \$1.47 million by the City as housing entity. However, HSC section 34163 (b) prohibits an agency from amending existing agreements with any entity, for any purpose after June 27, 2011. Therefore, Finance concludes that the initial commitment of \$504,832 is enforceable obligation. At the time of the project was transferred to the City, of the \$504,832, \$98,303 had been disbursed. Therefore, Finance is approving the remaining balance of \$406,559 and adjusting the ROPS accordingly.

- Item No. 13 – Sandpiper Mobile Home Park Relocation in the amount of \$7,000. The City of Arcata notified an individual on February 20, 2013 that they would be displaced by the project and eligible for relocation assistance. HSC section 34176 (a) (1) states if a city elects to retain the authority to perform housing functions previously performed by a RDA, all rights, powers, duties, obligations, and housing assets shall be transferred to the city. Since the City of Arcata assumed the housing functions, any new obligations created are the responsibility of the housing successor. Therefore, this item is not an enforceable obligation and not eligible funding from the RPTTF.

Except for items denied in whole or in part as enforceable obligations, Finance is not objecting to the remaining items listed on your ROPS 13-14A. This determination applies only to items where funding was requested for the six month period. If you disagree with the determination with respect to any items on your ROPS 13-14A, 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: \$1,143,279 as summarized below:

Approved RPTTF Distribution Amount	
For the period of July through December 2013	
Total RPTTF funding requested for obligations	\$ 1,758,720
Minus: Six-month total for items denied or reclassified as administrative cost	
Item 4	1,000,000
Item 10	100,000
Item 11	10,000
Item 12	30,000
Item 13	7,000
Plus: Item 12	406,559
Total approved RPTTF for enforceable obligations	\$ 1,018,279
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost	125,000
Minus: ROPS II prior period adjustment	-
Total RPTTF approved for distribution:	\$ 1,143,279

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2012 period. The amount of RPTTF approved in the above table includes the prior period adjustment computed with the actual distribution amount of \$1,258,958 and Agency's self-reported prior period actual payments. HSC Section 34186 (a) also specifies that the prior period adjustments self-reported by successor agencies are subject to audit by the county auditor-controller (CAC) and the State Controller. Any proposed CAC adjustments were not received in time for inclusion in this letter. Therefore, the amount of RPTTF approved in the above table includes only the prior period adjustment that was self-reported by the Agency.

Please refer to the ROPS 13-14A schedule that was used to calculate the approved RPTTF amount:

[http://www.dof.ca.gov/redevelopment/ROPS/ROPS 13-14A Forms by Successor Agency/](http://www.dof.ca.gov/redevelopment/ROPS/ROPS%2013-14A%20Forms%20by%20Successor%20Agency/).

This is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 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 denied on this ROPS or a preceding ROPS. The only exception is for those items that have received a Final and Conclusive determination from Finance pursuant to HSC 34177.5 (i). Finance's review of items that have received a Final and Conclusive determination is limited to confirming the scheduled payments as required by the obligation.

The amount available from the RPTTF is the same as the amount of 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.

To the extent proceeds from bonds issued after December 31, 2010 exist and are not encumbered by an enforceable obligation pursuant to 34171 (d), HSC section 34191.4 (c)(2)(B)

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requires these proceeds be used to defease the bonds or to purchase those same outstanding bonds on the open market for cancellation.

Please direct inquiries to Beliz Chappuie, Supervisor or Todd Vermillion, Lead Analyst at (916) 445-1546.

Sincerely,

A handwritten signature in black ink, appearing to read 'STEVE SZALAY', with a stylized flourish extending from the end of the name.

STEVE SZALAY
Local Government Consultant

cc: Ms. Janet Luzzi, Finance Director, City of Arcata
Mr. Joe Mellett, Auditor-Controller, County of Humboldt
California State Controller's Office