



May 17, 2013

Mr. Alan Flora, Deputy CAO
Lake County
255 North Forbes Street
Lakeport, CA 95453

Dear Mr. Flora:

Subject: Recognized Obligation Payment Schedule

This letter supersedes California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS 13-14A) letter dated April 10, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Lake County Successor Agency (Agency) submitted ROPS 13-14A to Finance on February 26, 2013 for the period of July through December 2013. 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 April 24, 2013.

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 No. 4 – Grant Match in the amount of \$314,444. Finance had previously denied funding for the grant match due to expenditure contracts not being in place for the upcoming construction projects related to the Grant Agreement. The March 13, 2013 letter from the County of Lake Public Works Department noted that the Project Milestone Schedule did not estimate construction to begin until the Spring of 2014. The Agency would not incur any expenses requiring grant funding until construction begins. In addition, contracts for upcoming construction during the ROPS 13-14 A period had not been executed by the Agency. Therefore, funding from the Redevelopment Property Tax Trust Fund (RPTTF) in the amount of \$314,444 remains denied.

Further review of the grant documentation during the Meet and Confer process noted that the Lake County is the grantee and recipient of the grant funds, not the former redevelopment agency (RDA). The Agency contends that the former RDA was obligated to fund the local match; however, the documentation provided does not support that the RDA, either through resolution, contract, or agreement, was obligated to fund the local match required in the grant agreement. The former RDA is neither a party to the agreement nor responsible for payment. Therefore, this item does not meet the requirements of an enforceable obligation and is not permitted for RPTTF funding.

- Item No. 12 – Bus Stop in the amount of \$15,851. Finance continues to deny this item as an enforceable obligation. Supporting documentation provided by the Agency during the Meet and Confer process was not sufficient to support the Agency's claim that bus

stop was within the scope of the Owner Participation Agreement (OPA). Amendment No. 1 to the OPA does not state whether the former redevelopment agency is responsible to fund the construction of a bus stop. Therefore, this item is not an enforceable obligation, and not eligible for 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. 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 July through December 2013. Finance's determination is effective for this time period only and should not be conclusively relied on 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 Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is \$16,810 as summarized below:

Approved RPTTF Distribution Amount	
For the period of July through December 2013	
Total RPTTF funding requested for obligations	\$ 346,015
Minus: Six-month total for items denied or reclassified as administrative cost	
Item 4	314,444
Item 15	15,851
Total approved RPTTF for enforceable obligations	\$ 15,720
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost	60,000
Minus: ROPS II prior period adjustment	(58,910)
Total RPTTF approved for distribution:	\$ 16,810

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. 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. The amount of RPTTF approved in the above table includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

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/.

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) 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,



STEVE SZALAY
Local Government Consultant

cc: Mr. Matt Perry, CAO, Lake County
Ms. Cathy Saderlund, Auditor-Controller, Lake County
California State Controller's Office