



May 17, 2013

Mr. Jeremy Craig, Director of Finance and Technology
City of Vacaville Successor Agency
600 Merchant Street
Vacaville, CA 95688

Dear Mr. Craig:

Subject: Recognized Obligation Payment Schedule

This letter supersedes California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS 13-14A) letter dated April 13, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Vacaville Successor Agency (Agency) submitted ROPS 13-14A to Finance on February 28, 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 25, 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 items being disputed.

- Item No. 17 – Claimed administrative costs exceed the allowance by \$27,324. Finance has recalculated the administrative cost allowance due to the overturned decision for items No. 18 and 34 following the Meet and Confer. HSC section 34171 (b) limits the fiscal year 2013-14 administrative expenses to three percent of property tax allocated to the Agency or \$250,000, whichever is greater. Although \$296,273 is claimed for administrative cost, only \$268,949 is available pursuant to the cap. Therefore, \$27,324 of excess administrative cost is not allowed.
- Item No. 18 – Employee Separation Costs in the amount of \$10,128. Finance is no longer objecting to this item. Finance originally denied the item because insufficient documentation was provided to ascertain whether the separation costs were for staff that worked for the former Redevelopment Agency (RDA). Additional documentation and clarification was provided during Meet and Confer that showed the employee's employment history with the former RDA. The employee was a Project Coordinator for the RDA and later for the Successor Agency (SA), working on multiple projects that have been approved as Enforceable Obligations on the ROPS. Therefore, the item is an Enforceable Obligation.
- Item No. 34 – Carnegie Library Property Assessments in the amount of \$3,514. Finance is no longer objecting to this item. Finance denied the items because according the Agency's lease agreement with the Vacaville Chamber of Commerce (Tenant), the

Tenant is responsible for paying all real property taxes on the property. The Agency contends the item is an Enforceable Obligation under a lease transaction; the legal owner of the property is ultimately responsible for the filing and payment of property taxes. Although the lease with Vacaville Chamber of Commerce passes the financial burden to the lessee, the Agency pays the property tax obligation directly to the Solano County and then sends the billing to the lessee to ensure timely payment and to avoid penalties. Additionally, amounts reimbursed to the Agency are used as "Other" revenue on the ROPS to meet this obligation.

In addition, per Finance's ROPS letter dated April 13, 2013, the following items continue to be denied and were not contested by the Agency:

- Item No. 3 – 2000A Multifamily Mortgage bond payment in the amount of \$187,493 is in excess of the amount pledged in the bond indenture. The bond indenture states the Agency is not responsible for any amount in excess of \$178,772 for the fiscal year. Therefore, \$5,721 of the requested amount is not considered an enforceable obligation and not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding on the ROPS.
- Item No. 16 – Supplementation Education Revenue Augmentation Fund (SERAF) loan repayment in the amount of \$905,087 is not allowed at this time. HSC section 34176 (e) (6) (B) specifies loan or deferral repayments shall not be made prior to the 2013-14 fiscal year. While ROPS 13-14A technically falls within fiscal year 2013-14, the repayment of these loaned amounts is subject to the repayment formula outlined in HSC section 34176 (e) (6) (B). HSC section 34176 (e) (6) (B) allows this repayment to be equal to one-half of the increase between the ROPS residual pass-through distributed to the taxing entities in that fiscal year and the ROPS residual pass-through distributed to the taxing entities in the 2012-13 base year. Since the formula does not allow for estimates, the Agency must wait until the ROPS residual pass-through distributions are known for fiscal year 2013-14 before requesting funding for this obligation. Therefore, the Agency may be able to request funding for the repayment of SERAF loans beginning with ROPS 14-15A.

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 RPTTF distribution for the reporting period is: \$7,490,560 as summarized on next page:

Approved RPTTF Distribution Amount	
For the period of July through December 2013	
Total RPTTF funding requested for obligations	\$ 9,875,765
Minus: Six-month total for items denied or reclassified as administrative cost	
Item 3	5,721
Item 16	905,087
Total approved RPTTF for enforceable obligations	\$ 8,964,957
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost	268,949
Minus: ROPS II prior period adjustment	(1,743,346)
Total RPTTF approved for distribution:	\$ 7,490,560

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/](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.

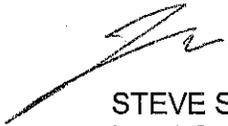
The amount available from the RPTTF is the same as the amount of property tax increment that was available prior to enactment of ABx1 26 and AB 1484. This amount is not and never was an unlimited funding source. Therefore, as a practical matter, the ability to fund the items on the ROPS with property 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) requires these proceeds be used to defease the bonds or to purchase those same outstanding bonds on the open market for cancellation.

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Please direct inquiries to Chikako Takagi-Galamba, Manager or Anna Kyumba, Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Ms. Cyndi Johnston, Housing Services Director, City of Vacaville
Mr. Jun Adeva, Deputy Auditor Controller, County of Solano
California State Controller's Office