



April 16, 2014

Ms. Stacey Winton, Administrative Analyst II
City of Davis
23 Russell Boulevard, Suite 1
Davis, CA 95616

Dear Ms. Winton:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Davis Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15A) to the California Department of Finance (Finance) on April 3, 2014 for the period of July through December 2014. Finance has completed its review of your ROPS 14-15A, 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 for the reasons specified:

- Item Nos. 69 through 80 – Contracts and associated costs totaling \$1,527,194 in bond proceeds composed of the following:
 - Downtown Parking and Streetscape Enhancements
 - Item No. 69 – First Street Path Lighting in the amount of \$6,000
 - Item No. 70 – Streetlight Fixtures Capital Improvement Program (CIP) 8234 in the amount of \$8,322
 - Item No. 71 – Art Consultation Third Street CIP 8164 in the amount of \$750
 - Item No. 72 – Bid Documents CIP 8234 in the amount of \$724
 - Item No. 76 – Public Hearing Notice Publications in the amount of \$319
 - Item No. 77 – F Street Streetscape Design in the amount of \$8,209
 - Hotel/Conference Facility
 - Item No. 73 – Fiscal Consultant CIP 8226 in the amount of \$15,930
 - Item No. 74 – Traffic Consultant CIP 8226 in the amount of \$7,500
 - Item No. 75 – Market Consultant CIP 8226 in the amount of \$20,000

- Third Street Improvements
 - Item No. 78 – Design-Storm and Water Drain for Third Street Improvements in the amount of \$4,440
 - Item No. 79 – Personnel Cost associated with Third Street Improvements in the amount of \$55,000
 - Item No. 80 – Construction Contract for Third Street Improvements in the amount of \$1,400,000

Finance has denied these items on prior ROPS' as items 32 through 43 and 46 through 61 and continues to be denied. HSC section 34163(b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011. It is our understanding that contracts for these line items were awarded after June 27, 2011 or have not yet been awarded. Also, all items above requested bond proceeds as the funding source. Pursuant to HSC section 34191.4 (c), successor agencies that have been issued a Finding of Completion by Finance will be allowed to use bond proceeds from bonds issued prior to December 31, 2010 for the purpose for which the bonds were issued. Our records indicate the Agency has yet to receive a Finding of Completion.

In addition, if the bonds were issued after December 31, 2010, the benefits provided in HSC section 34191.4 (c) (1) do not apply. HSC section 34191.4 (c) (2) (B) requires these proceeds to be used to defease the bonds or to purchase those same outstanding bonds on the open market for cancellation. It is our understanding the requested funding source for these projects is 2011 bond proceeds. Therefore, \$1,527,194 in bond proceeds is not eligible for funding these projects.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 14-15A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2013 period. The amount of Redevelopment Property Tax Trust Fund (RPTTF) approved in the table below includes the prior period adjustment self-reported by the Agency. HSC section 34186 (a) also specifies 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 table below only includes the prior period adjustment self-reported by the Agency.

Except for items denied in whole or in part as enforceable obligations or for the item that has been reclassified, Finance is not objecting to the remaining items listed on your ROPS 14-15A. If you disagree with the determination with respect to any items on your ROPS 14-15A, 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 RPTTF distribution for the reporting period is \$2,416,375 as summarized on the next page:

Approved RPTTF Distribution For the period of July through December 2014	
Total RPTTF requested for non-administrative obligations	2,297,456
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations	\$ 2,422,456
Total RPTTF requested for non-administrative obligations	2,297,456
Total RPTTF authorized for non-administrative obligations	\$ 2,297,456
Total RPTTF requested for administrative obligations	125,000
Total RPTTF authorized for administrative obligations	\$ 125,000
Total RPTTF authorized for obligations	\$ 2,422,456
ROPS 13-14A prior period adjustment	(6,081)
Total RPTTF approved for distribution	\$ 2,416,375

Pursuant to HSC section 34177 (l) (1) (E), agencies are required to use all available funding sources prior to RPTTF for payment of enforceable obligations. During the ROPS 14-15A review, Finance requested financial records to support the cash balances reported by the Agency; however, Finance was unable to reconcile the financial records to the amounts reported. As a result, Finance will continue to work with the Agency after the ROPS 14-15A review period to properly identify the Agency's cash balances. If it is determined the Agency possesses cash balances that are available to pay approved obligations, the Agency should request the use of these cash balances prior to requesting RPTTF in ROPS 14-15B.

Please refer to the ROPS 14-15A schedule that was used to calculate the approved RPTTF amount:

<http://www.dof.ca.gov/redevelopment/ROPS>

Absent a Meet and Confer, this is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2014. This determination only applies to items where funding was requested for the six-month period. 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 section 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.

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To the extent proceeds from bonds issued after December 31, 2010 exist and are not encumbered by an enforceable obligation pursuant to HSC section 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 Wendy Griffe, Supervisor or Medy Lamorena, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Assistant Program Budget Manager

cc: Ms. Kelly Fletcher, Budget Manager, City of Davis
Mr. Howard Newens, Auditor-Controller, Yolo County
California State Controller's Office