DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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April 14, 2014

Mr. Paul Rodrigues, Director of Economic Development and Housing
City of Eureka
531 K Street
Eureka, CA 95501

Dear Mr. Rodrigues:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Eureka Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15A) to the California Department of Finance (Finance) on March 1, 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 No. 5 – Payment for a Lease Revenue Bond with the City of Eureka (City) in the amount of $108,544. This item has been previously denied by Finance and upheld through the ROPS 13-14A Meet and Confer Process. Documentation provided by the Agency for the Municipal Harbor Improvements 1973 Revenue Bonds (Bonds) state the Bonds were issued by the City and the loan agreement terms related to bonds do not demonstrate that it is an obligation of the Agency. Therefore, Finance continues to deny this item for Redevelopment Property Tax Trust Fund (RPTTF) funding.

- Item No. 12 – Public Improvement Agreement in the amount of $5,146,773. Pursuant to HSC section 34191.4 (b), loan agreements between the former redevelopment agency and sponsoring entity may be placed on the ROPS if: (1) The Agency has received a Finding of Completion; and (2) The Agency's oversight board approves the loan as an enforceable obligation by finding that the loan was for legitimate redevelopment purposes.

  The Agency received a Finding of Completion on April 12, 2013. However, the oversight board has not approved the loan or made a finding the loan was for legitimate redevelopment purposes. Therefore, this ROPS item is not eligible for RPTTF funding at this time. Once the oversight board approves the loan as an enforceable obligation by finding the loan was for legitimate redevelopment purposes and the corresponding OB action is approved by Finance, the Agency may request funding for this item on future ROPS.

- Item Nos. 13 and 14 – Supplemental Educational Revenue Augmentation Fund and Housing Fund Deficit in the amounts of $594,152 and $61,950 respectively. Pursuant to HSC 34171 (d) (1) (G), amounts borrowed from, or payments owing to, the Low and Moderate Income Housing Fund of a redevelopment agency, which had been deferred as of the effective date are considered enforceable obligations. Therefore, a separate OB action is required, approving a repayment schedule for amounts due to the Low and Moderate Income Housing Asset Fund. As the Agency did not meet this requirement, this line item is not eligible for RPTTF funding at this time. The Agency may place the items on future ROPS.

During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should be used prior to requesting RPTTF. Pursuant to HSC section 34177 (l) (1) (E), RPTTF may be used as a funding source, but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation. The Oversight Board approved ROPS 14-15A Report of Cash Balances specifies the Successor Agency has $412,849 in available RPTTF from past ROPS periods.

The following items are enforceable obligations for the ROPS 14-15A period and do not require additional property tax revenues therefore, the funding source has been reclassified to Reserve Balances in the amounts specified below:

- Item No. 2 – California Infrastructure Bank Loan in the amount of $79,965.
- Item No. 3 – 2010 Series A Bonds in the amount of $53,380. An additional amount of $186,277 remains eligible for RPTTF; the total amount authorized is $239,657.
- Item No. 4 – 2010 Series B Bonds in the amount of $142,363.
- Item No. 6 – California Boating and Waterways Loan in the amount of $87,141.
- Item No. 7 – California Boating and Waterways Dredging Fund deposit in the amount of $10,000.
- Item No. 8 – California Boating and Waterways Improvement Fund deposit in the amount of $15,000.
- Item No. 9 – Multiple Assistance Center Construction Loan repayment in the amount of $25,000.

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 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 items that have 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 $1,141,299 as summarized below:

Approved RPTTF Distribution For the period of July through December 2014		
Total RPTTF requested for non-administrative obligations		2,391,493
Total RPTTF requested for administrative obligations		125,000
Total RPTTF requested for obligations	**$**	**2,516,493**
Total RPTTF requested for non-administrative obligations		**2,391,493**
Denied Items		
Item No. 5		(54,272)
Item No. 12		(251,971)
Item No. 13		(594,152)
Item No. 14		(61,950)
		(962,345)
Total RPTTF for non-administrative obligations		**1,429,148**
Cash Balances - Items reclassified to other funding sources		
Item No. 2		(79,965)
Item No. 3		(53,380)
Item No. 4		(142,363)
Item No. 6		(87,141)
Item No. 7		(10,000)
Item No. 8		(15,000)
Item No. 9		(25,000)
		(412,849)
Total RPTTF authorized for non-administrative obligations	**$**	**1,016,299**
Total RPTTF authorized for administrative obligations	**$**	**125,000**
ROPS 13-14A prior period adjustment		**0**
Total RPTTF authorized for obligations	**$**	**1,141,299**

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.

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

Sincerely,

JUSTYN HOWARD
Assistant Program Budget Manager

cc: Ms. Wendy Howard, Acting Deputy Finance Director, City of Eureka
Mr. Joe Mellett, Auditor-Controller, Humboldt County
California State Controller's Office