



April 2, 2014

Ms. Stacey Tamagni, Financial Analyst  
City of Folsom  
50 Natoma Street  
Folsom, CA 95630

Dear Ms. Tamagni:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Folsom Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15A) to the California Department of Finance (Finance) on February 24, 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. 6 through 10 – Various Tax Allocation Bonds, debt service reserves totaling \$1,813,775 for payments due January through June 2015. HSC section 34171 (d) (1) (A) allows successor agencies to hold a reserve for debt service payments 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. Therefore, the request to fund payments due for the first half of the calendar year is not allowed.
- Item No. 28 – Unfunded Administrative Cost Allowance for the January through June 2014 (ROPS 13-14B) period in the amount of \$125,000, payable from administrative cost allowance. The Agency did not receive sufficient funding from the Sacramento County Auditor-Controller (CAC) in the ROPS 13-14B period to fund its administrative cost allowance. The Agency is permitted to receive reimbursement for prior period funding shortfalls. However, Finance has reclassified this item to Redevelopment Property Tax Trust Funds (RPTTF) so the prior period funding shortfall does not contribute to the Agency's fiscal year 2014-15 Administrative Cost Cap.

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.

In the letter dated December 17, 2013, Finance authorized RPTTF in the amount of \$1,844,800 for Spring 2014 debt service payments for the ROPS 13-14B period. The Agency received a total of \$3,488,739 from the CAC for the ROPS 13-14B period.

HSC section 34183 (2) (A) states debt service payments must receive first payment priority from RPTTF allocated from the CAC. Therefore, as authorized for ROPS 13-14B, the difference, \$1,643,939 (\$3,488,739 - \$1,844,800) should be available as Reserve Funds for the Fall 2014 debt service payments requested on ROPS 14-15A.

Therefore, with the Agency's concurrence, the funding source for the following items has been reclassified to Reserve Balances and in the amounts specified below:

- Item Nos. 1 through 5 – Various Tax Allocation Bonds, debt service payments totaling \$3,284,800 for payments due July through December 2014. These items were determined to be enforceable obligations for the ROPS 14-15A period. The Agency requested \$3,284,800 from RPTTF; however, Finance is reclassifying a total of \$1,643,939 to Reserve Balances that were requested and remained from ROPS 13-14B. Finance specifically approved payment for these items for the July through December 2014 debt service. Therefore, the actual funding need is only \$1,640,861 (\$3,284,800 – \$1,643,939). As a result, Finance approves RPTTF in the amount of \$1,640,861 and Reserve Balances in the amount of \$1,643,939, totaling \$3,284,800 for Item Nos. 1 through 5.

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/](http://www.dof.ca.gov/redevelopment/meet_and_confer/)

The Agency's maximum approved RPTTF distribution for the reporting period is \$1,890,861 as summarized below:

<b>Approved RPTTF Distribution</b>	
<b>For the period of July through December 2014</b>	
Total RPTTF requested for non-administrative obligations	5,098,575
Total RPTTF requested for administrative obligations	250,000
<b>Total RPTTF requested for obligations</b>	<b>\$ 5,348,575</b>
<b>Total RPTTF requested for non-administrative obligations</b>	<b>5,098,575</b>
<u>Denied Items</u>	
Item No. 6	(214,756)
Item No. 7	(347,466)
Item No. 8	(375,009)
Item No. 9	(410,644)
Item No. 10	(465,900)
	(1,813,775)
<u>Reclassified Item</u>	
Item No. 28	125,000
	125,000
<b>Total RPTTF for non-administrative obligations</b>	<b>3,409,800</b>
<u>Cash Balances - Items reclassified to other funding sources</u>	
Item No. 1	(328,788)
Item No. 2	(328,788)
Item No. 3	(328,788)
Item No. 4	(328,788)
Item No. 5	(328,787)
	(1,643,939)
<b>Total RPTTF authorized for non-administrative obligations</b>	<b>\$ 1,765,861</b>
<b>Total RPTTF requested for administrative obligations</b>	<b>250,000</b>
<u>Reclassified Item</u>	
Item No. 28	(125,000)
	(125,000)
<b>Total RPTTF authorized for administrative obligations</b>	<b>\$ 125,000</b>
<b>Total RPTTF authorized for obligations</b>	<b>\$ 1,890,861</b>
ROPS 13-14A prior period adjustment	0
<b>Total RPTTF approved for distribution</b>	<b>\$ 1,890,861</b>

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 Nichelle Thomas, Supervisor or Michael Barr, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD  
Assistant Program Budget Manager

cc: Ms. Terri Hemley, Financial Services Manager, City of Folsom  
Mr. Ben Lamara, Assistant Auditor-Controller, Sacramento County  
California State Controller's Office