DEPARTMENT OF FINANCE

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April 14, 2014

Ms. Tracy Robinson, Administrative Services Director
City of Lafayette
3675 Mt. Diablo Boulevard, Suite 210
Lafayette, CA 94549

Dear Mr. Robinson:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Lafayette Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15A) to the California Department of Finance (Finance) on February 28, 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 does not qualify as an enforceable obligation for the reasons specified:

- Item No. 14 – Tax Allocation Refunding Bonds, Series 2014 debt service payments totaling $636,844 for payments due August 1, 2014 and February 1, 2015. It is our understanding the bond indenture requires all tax revenues to be deposited until the full year's bond debt service is covered. However, the total amount due during the first bond year ending August 1, 2014 is $298,144. Additionally, 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 totaling $338,700 ($636,844 - $298,144) is not allowed on this 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 Agency provided financial records that displayed available Reserve Balances of $10,150.

Therefore, the funding source for the following item has been reclassified to Reserve Balances and in the amount specified below:

- Item No. 2 – 2005 Tax Allocation Bond debt service payment in the amount of $504,337. The Agency requests $504,337 from RPTTF; however Finance is reclassifying $10,150 to Reserve Balances. This item is an enforceable obligation for the ROPS 14-15A

period. However, the obligation does not require payment from property tax revenues and the Agency has $10,150 in available Reserve Balances. Therefore, Finance is approving RPTTF in the amount of $494,187 and the use of Reserve Balances in the amount of $10,150, totaling $504,337.

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.

Subsequent to receiving the ROPS, the Agency advised Finance available funding for Item No. 9 – Library Foundation Loan #2 2007 Tax Allocation Bond was $109,824, and not $100,000 as originally reported. Because the actual expenditure for this item was $100,000, a prior period adjustment of $9,824 ($109,824 - $100,000) for ROPS 13-14A has been made.

http://www.dof.ca.gov/redevelopment/meet_and_confer/

The Agency's maximum approved RPTTF distribution for the reporting period is $3,441,842 as summarized below:

Approved RPTTF Distribution For the period of July through December 2014		
Total RPTTF requested for non-administrative obligations		3,800,516
Total RPTTF requested for administrative obligations		0
Total RPTTF requested for obligations	**$**	**3,800,516**
Total RPTTF requested for non-administrative obligations		**3,800,516**
Denied Items		
Item No. 14		(338,700)
		(353,700)
Cash Balances - Item reclassified to other funding sources		
Item No. 2		(10,150)
Total RPTTF authorized for non-administrative obligations	**$**	**3,451,666**
Total RPTTF authorized for administrative obligations		**0**
Total RPTTF authorized for obligations	**$**	**3,451,666**
Self-reported ROPS 13-14A prior period adjustment (PPA)		0
Finance adjustment to ROPS 13-14A PPA		(9,824)
Total ROPS 13-14A PPA		(9,824)
Total RPTTF approved for distribution	**$**	**3,441,842**

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 Alexander Watt, Lead Analyst at (916) 445-1546.

Sincerely,

JUSTYN HOWARD
Assistant Program Budget Manager

cc: Mr. Gonzalo Silva, Finance Manager, City of Lafayette
Mr. Bob Campbell, Auditor-Controller, Contra Costa County
California State Controller's Office