DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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April 4, 2014

Mr. Marvin Davis, Accounting Manager
City of Lincoln
600 6th Street
Lincoln, CA 95648

Dear Mr. Davis:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Lincoln 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 obligation for the reasons specified:

- Item No. 5 – Supplemental Educational Revenue Augmentation Fund (SERAF) in the amount of $877,764. HSC section 34171 (d) (1) (G) states that amounts borrowed from, or payments owing to the Low and Moderate Income Housing Fund are enforceable obligations, provided the Agency's Oversight Board approves a repayment schedule. 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 Redevelopment Property Tax Trust Fund (RPTTF) funding at this time.

Furthermore the Agency reported Item No. 8 – Excess Bond Proceeds Agreement (Agreement) in the amount of $1,050,401. The Agency submitted Oversight Board (OB) action 2014-03 approving the transfer of excess 2004 Series C bond proceeds to the City of Lincoln to be used in a manner consistent with the bond covenants. The Agreement contained material errors that would need to be corrected by the Agency, and therefore the OB action is denied and returned to the board for further consideration. The transfer of bond proceeds may take place once the Agreement is corrected and approved by the Oversight Board and Finance.

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. 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. The amount of RPTTF approved in the table

below includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

Except for the items denied in whole or in part as enforceable obligations, 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 Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is $780,272 as summarized below:

Approved RPTTF Distribution **For the period of July through December 2014**		
Total RPTTF requested for non-administrative obligations		836,678
Total RPTTF requested for administrative obligations		110,000
Total RPTTF requested for obligations	**$**	**946,678**
Total RPTTF requested for non-administrative obligations		**836,678**
Denied Item***(s)***		
Item No. 5		(166,406)
Total RPTTF authorized for non-administrative obligations	**$**	**670,272**
Total RPTTF requested for administrative obligations		**110,000**
Total RPTTF authorized for administrative obligations	**$**	**110,000**
Total RPTTF authorized for obligations	**$**	**780,272**
CAC ROPS 13-14A prior period adjustment		0
Total RPTTF approved for distribution	**$**	**780,272**

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: Mr. Jim Estep, City Manager, City of Lincoln
Ms. Jayne Goulding, Managing Accountant Auditor, Placer County
California State Controller's Office