DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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April 7, 2014

Ms. Teresa Rudolph, Assistant City Clerk
City of Redding
777 Cypress Avenue
Redding, CA 96001

Dear Ms. Rudolph:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Redding Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15A) to the California Department of Finance (Finance) on February 26, 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 reason specified:

> Item Nos. 65 and 66 – Housing Administrative Cost Allowance from Redevelopment Property Tax Trust Fund (RPTTF) totaling $75,000. Pursuant to HSC section 34177 (p), the housing entity administrative cost allowance is applicable in cases where the city, county, or city and county that authorized the creation of the redevelopment agency did not elect to assume the housing functions of the former redevelopment agency. The City of Redding elected to retain the housing functions of the former City of Redding Redevelopment Agency. As such, $75,000 of housing entity administrative allowance is not eligible for funding on ROPS.

In ROPS 13-14B, the Agency requested and received RPTTF funding to create Reserve Balances in order to fully fund a ROPS 14-15A debt service obligation. However, the Agency did not properly reflect the use of these Reserve Balances on ROPS 14-15A. Pursuant to HSC section 34177 (a) (3), only those payments listed on ROPS may be made from the funds specified on the ROPS. Therefore, Finance increased the Agency's request for the following debt service obligation:

> Item No. 4 – 2003 Canby-Hilltop-Cypress Tax Allocation Bonds request from Reserve Balances is increased from $0 to $200,000. The Agency requests RPTTF in the amount of $1,620,237 and Other Funds in the amount of $4,699, totaling $1,624,936. However, the total debt service due on September 1, 2014 is $1,824,936. Further, during the ROPS 13-14B review, the Agency was authorized for RPTTF funding in the amount $200,000 in order to create the Reserve Balances. This item was determined to be an

enforceable obligation for the ROPS 14-15A period. Therefore, Finance is approving RPTTF in the amount of $1,620,237, Other Funds in the amount of $4,699, and the use of Reserve Balances in the amount of $200,000, totaling $1,824,936.

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 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 RPTTF distribution for the reporting period is $3,434,471 as summarized below:

Approved RPTTF Distribution For the period of July through December 2014		
Total RPTTF requested for non-administrative obligations		3,405,304
Total RPTTF requested for administrative obligations		125,000
Total RPTTF requested for obligations	**$**	**3,530,304**
Total RPTTF requested for non-administrative obligations		**3,405,304**
Denied Items		
Item No. 65		(37,500)
Item No. 66		(37,500)
Total RPTTF authorized for non-administrative obligations		**3,330,304**
Total RPTTF requested for administrative obligations		**125,000**
Total RPTTF authorized for administrative obligations		**125,000**
Total RPTTF authorized for obligations	**$**	**3,455,304**
ROPS 13-14A prior period adjustment		(20,833)
Total RPTTF approved for distribution	**$**	**3,434,471**

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 Wendy Griffe, Supervisor or Medy Lamorena, Lead Analyst at (916) 445-1546.

Sincerely,

JUSTYN HOWARD
Assistant Program Budget Manager

cc: Ms. Cathy Bullock, Senior Accountant, City of Redding
Ms. Sheri Jenkins, Managing Accountant Auditor, Shasta County
California State Controller's Office