



April 14, 2014

Ms. Cindy Mosser, Finance Manager
City of Walnut Creek
1666 North Main Street
Walnut Creek, CA 94596

Dear Ms. Mosser:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Walnut Creek 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. 23 (Agency reported Item No. 17) – City of Walnut Creek loan repayment in the amount of \$274,544, from Other Funds. Pursuant to HSC section 34191.4 (b), loan agreements between the former redevelopment agency and sponsoring entity may be placed on the ROPS if the following requirements are met: (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 the loan was for legitimate redevelopment purposes.

The Agency received a Finding of Completion on October 3, 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 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.

Finance also made an adjustment to the item number sequence on ROPS 14-15A for consistency with prior ROPS. Items which no longer require funding should be classified as "retired" but retain the number assigned to the obligation on the ROPS. Furthermore, item numbers may only be used once and new obligations of the Agency should be listed with the next available sequential number. The item number referenced above reflect the corrected numbering sequence, as well as the Agency reported item number for record keeping purposes.

During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that are required to 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 Other Funds.

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

- Item Nos. 2, 3, and 4 – Various Tax Allocation Bonds and related Trustee Fees totaling \$235,631. The Agency requests \$235,631 from RPTTF; however Finance is reclassifying these amounts to Other Funds. These items are enforceable obligations for the ROPS 14-15A period. However, they do not require payment from property tax revenues and the Agency has \$274,544 in available Other Funds. Therefore, Finance is approving Other Funds totaling \$235,631.
- Item No. 16 – Successor Agency Administrative Budget in the amount of \$38,913. The Agency requests \$99,042 from RPTTF; however Finance is reclassifying \$38,913 to Other Funds. 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 \$274,544 in available Other Funds. Therefore, Finance is approving RPTTF in the amount of \$60,129 and the use of Other Funds in the amount of \$38,913, totaling \$99,042.

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 or for the 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 \$86,087 as summarized below:

Approved RPTTF Distribution	
For the period of July through December 2014	
Total RPTTF requested for non-administrative obligations	235,631
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations	\$ 360,631
Total RPTTF requested for non-administrative obligations	235,631
<u>Reclassified Items</u>	
Item No. 2	(2,400)
Item No. 3	(230,831)
Item No. 40	(2,400)
	(235,631)
Total RPTTF authorized for non-administrative obligations	\$0
Total RPTTF requested for administrative obligations	125,000
<u>Reclassified Items</u>	
Item No. 16	(38,913)
	(38,913)
Total RPTTF authorized for administrative obligations	\$ 86,087
Total RPTTF authorized for obligations	\$ 86,087
ROPS 13-14A prior period adjustment	0
Total RPTTF approved for distribution	\$ 86,087

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.

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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: Ms. Laura Simpson, Housing Manager, City of Walnut Creek
Mr. Bob Campbell, Auditor-Controller, Contra Costa County
California State Controller's Office