



May 31, 2012

Devon Rodriguez, Development Specialist  
City of Citrus Heights  
6237 Fountain Square Drive  
Citrus Heights, CA 95621

Dear Ms. Rodriguez:

Subject: Recognized Obligation Payment Schedule Approval Letter

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the City of Citrus Heights Successor Agency (Agency) submitted Recognized Obligation Payment Schedules (ROPS) to the California Department of Finance (Finance) on May 23, 2012 for period of the January to June 2012 and July to December 2012. Finance is assuming appropriate oversight board approval. Finance has completed its review of your ROPS, which may have included obtaining clarification for various items.

HSC section 34171 (d) lists enforceable obligation (EO) characteristics. Based on a sample of line items reviewed and application of the law, the following do not qualify as EOs:

**January through June 2012 ROPS:**

- Page 1, line item 1 in the amount of \$1,015,113. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city that created the redevelopment agency (RDA) and the former RDA are not enforceable unless the loan agreements were entered into within the first two years of the date of the creation of the RDA. It is our understanding \$939,500 of the claimed \$1,954,613 was entered into within the first two years of the RDA creation.
- Page 1, line items 18 and 19 in the amount of \$55.7 million. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city, county, or city and county that created the RDA and the former RDA are not EOs.
- Page 4, line item 14 in the amount of \$5.2 million. The requirement to set aside 20 percent of RDA tax increment for low and moderate income housing purposes ended with the passing of the redevelopment dissolution legislation. HSC section 34177 (d) requires that all unencumbered balances in the Low and Moderate Income Housing Fund be remitted to the county auditor controller for distribution to the taxing entities.
- HSC section 34171 (b) limits fiscal year 2011-12 administrative cost allowance to five percent of the property tax allocated to the successor agency or \$250,000, whichever is greater. Five percent of the property tax allocated is \$24,704. The administrative cost allowance for fiscal year 2011-12 is \$250,000.

Although the Agency claimed \$250,000 in administrative costs, we noted additional line items below that should be counted towards the administrative cap allowance.

Page	Item #	Project Name/Debt Obligation	Amount
1	4	Contract for Consulting Services	\$19,499
1	5	Contract for Consulting Services	4,261
1	6	Administration Costs of Former RDA	60,339
1	25	Project Delivery Costs	5,000
		Total	\$89,099

As such, the Agency's total half year administrative cost is \$339,099 out of an annual budget of \$250,000. Therefore, we are questioning \$89,099 of the claimed \$339,099 that exceeds the administrative cost allowance.

**July through December 2012 ROPS:**

- Page 1, line item 1 in the amount of \$851,713. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city that created the RDA and the former RDA are not enforceable unless the loan agreements were entered into within the first two years of the date of the creation of the RDA. It is our understanding that \$939,500 of the claimed \$1,791,213 was entered into within the first two years of the RDA creation.
- Page 1, line items 9 and 10 in the amount of \$13.9 million. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city, county, or city and county that created the redevelopment agency and the former redevelopment agency are not EOs.

Except for items disallowed in whole or in part as enforceable obligations noted above, Finance is approving the remaining items listed in your ROPS for both periods. This is our determination with respect to any items funded from the Redevelopment Property Tax Trust Fund (RPTTF) for the June 1, 2012 property tax allocations. If your oversight board disagrees with our determination with respect to any items not funded with property tax, any future resolution of the disputed issue may be accommodated by amending the ROPS for the appropriate time period. Items not questioned during this review are subject to a subsequent review, if they are included on a future ROPS. If an item included on a future ROPS is not an enforceable obligation, Finance reserves the right to remove that item from the future ROPS, even if it was not removed from the preceding ROPS.

Please refer to Exhibit 12 at [http://www.dof.ca.gov/assembly\\_bills\\_26-27/view.php](http://www.dof.ca.gov/assembly_bills_26-27/view.php) for the amount of RPTTF that was approved by Finance based on the schedule submitted.

As you are aware the amount of available RPTTF is the same as the property tax increment that was available prior to ABx1 26. 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 in the RPTTF.

Ms. Rodriguez  
May 31, 2012  
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Please direct inquiries to Evelyn Suess, Supervisor or Michael Barr, Lead Analyst at  
(916) 322-2985.

Sincerely,

A handwritten signature in black ink that reads "Mark Hill". The signature is written in a cursive, slightly slanted style.

MARK HILL  
Program Budget Manager

cc: Mr. Ben Lamera, Assistant Auditor Controller, Sacramento County Auditor/Controller  
Ms. Kim Le, Senior Accounting Manager, Sacramento County Auditor/Controller