



April 24, 2012

Katherine Hess, Community Development Administrator
23 Russell Boulevard, Suite 2
Davis, CA 95616

Dear Ms. Hess:

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the City of Davis Successor Agency submitted a Recognized Obligation Payment Schedule (ROPS) to the California Department of Finance (Finance) on April 13, 2012 for the period of January through June 2012. Finance staff contacted you for clarification of items listed in the ROPS.

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:

- Items 41 through 44, page 2, for \$1.2 million in bond funds. HSC 34163 (b) bond Indenture and resolution documents are not a valid contracts to support the obligation.
- Item 45, page 2, for \$1.1 million of set aside. 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.
- Unallowed administrative costs totaling \$1.4 million. HSC section 34171 (b) limits administrative costs to five percent of property tax allocated or \$250,000, whichever is greater. Five percent of the property tax allocated is \$259,870. Therefore, \$1.4 million of the claimed \$1.7 million in administrative costs is not an EO. The following are administrative costs: page 1, items 6, 7, 8, 9, and 11, and page 2, item 40.

As authorized by HSC section 34179 (h), Finance is returning your ROPS for reconsideration. This action will cause the ROPS items noted above to be ineffective until Finance approval. Furthermore, items listed on future ROPS will be subject to review and may be denied as EOs.

If you believe we have reached this conclusion in error, please provide further evidence that the items questioned above meet the definition of an EO.

Please direct inquiries to Robert Scott or Cindie Lor at (916) 322-2985.

Sincerely,

MARK HILL
Program Budget Manager

cc: Mr. Howard Newens, Auditor-Controller, Yolo County