



May 31, 2012

Barry Tippin, Assistant City Manager
City of Redding
777 Cypress Avenue
Redding, CA 96001

Dear Mr. Tippin:

Subject: Recognized Obligation Payment Schedule Approval Letter

Pursuant to Health and Safety Code (HSC) section 34177 (I) (2) (C), City of Redding Successor Agency submitted Recognized Obligation Payment Schedules (ROPS) to the California Department of Finance (Finance) on May 31, 2012 for the periods January through June 2012 and July through 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.

Finance is approving the items listed in both ROPS except for the following:

January through June 2012 ROPS

- Reserve payments totaling \$3.1 million. HSC section 34167 (d) (1) defines enforceable obligations as bonds, including the required debt service, reserve set-asides and other payments required under the indenture. Based on our understanding, these reserve amounts are not required under the bond indentures. Therefore, the \$3.1 million in reserve set asides are not enforceable.
 - CHC Project Area, page 1, Item No. 1
 - Market Street Project Area, page 1, Item No. 1
- Expenditure payments totaling \$123,834. HSC section 34163(b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011. It is our understanding that the contracts for these line items were entered into or effective after June 27, 2011.
 - CHC Project Area, Page 1, Item No. 13, Page 2, Item No. 7
 - Market Street Project Area: Page 1, Item No. 9
 - SHASTECH Project Area: Page 1, Item No. 8
- Expenditure payments totaling \$273,091. Documentation provided identifies the City, not the former RDA, as being contractually obligated to the third parties. Therefore, these items are not enforceable.
 - CHC Project Area: Page 1, Item Nos. 21 and 29, Page 2, Item No. 13
 - Market Street Project Area: Page 1, Item Nos. 18 and 28
 - SHASTECH Project Area: Page 1, Item Nos. 18 and 21
- HSC section 34171 (b) limits the 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 to the Redding Successor Agency in 2011-12 equated to approximately \$153,700. Since there is a \$250,000 minimum funding for administrative expenses, we are questioning \$82,800 of the claimed \$332,800.

July through December 2012 ROPS

Expenditure payments totaling \$15,000. Documentation provided identifies the City, not the former RDA, as being contractually obligated to the third parties. Therefore, these items are not enforceable.

- o CHC Project Area, Item No. 6
- o Market Street Project Area, Item No. 8
- o SHASTEC Project Area, Item No. 7

This letter supersedes all previous letters sent from our office and 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 for the amount of Redevelopment Property Tax Trust Fund (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.

Please direct inquiries to Robert Scott, Supervisor or Kylie Le, Lead Analyst at (916) 322-2985.

Sincerely,



MARK HILL
Program Budget Manager

cc: Ms. Theresa Rudolph, Assistant City Clerk, City of Redding
Ms. Cathy Bullock, Senior Accountant, City of Redding
Ms. Connie Regnell, County Auditor Controller, County of Shasta
Ms. Sherri Jenkins, Managing Accountant, County of Shasta