



April 27, 2012

Gordon Elton, Finance Director
City of Ukiah
300 Seminary Avenue
Ukiah, CA 95482

Dear Mr. Elton:

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the City of Ukiah (City) Successor Agency submitted a Recognized Obligation Payment Schedule (ROPS) to the California Department of Finance (Finance) on April 12, 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:

- HSC section 34163 (b) prohibits a RDA from entering into contracts with any entity after June 27, 2011. Contracts executed after June 27, 2011 are not enforceable as follows:
 - Page 1, line item 3 in the amount of \$699,535. It is our understanding that contracts totaling \$371,253 were awarded prior to June 28, 2011. Because additional contracts provided in support of the line item were executed after June 27, 2011, we are questioning \$699,535 of the claimed \$1.1 million.
 - Page 1, line item 14, and page 2, line item 12 totaling \$6.6 million. It is our understanding that contracts totaling \$430,021 were awarded prior to June 28, 2011. As additional contracts provided in support of these line items were executed after June 28, 2011, we are questioning \$6.6 million of the claimed \$7 million.
 - Page 2, line item 19 in the amount of \$4.4 million. Section 34177(i) states bond proceeds shall be used for the purposes for which bonds were sold unless the purposes can no longer be achieved, in which case, the proceeds may be used to defease the bonds. It is our understanding that no contracts were awarded for this project prior to June 28, 2011.
- Page 2, line item 17 and 18, totaling \$1.2 million. 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. The Ukiah RDA was established in 1974; this loan agreement was executed in 1996.

- Administrative expenses totaling \$830,000 (see Attachment A). HSC section 34171 (b) limits the 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. Therefore, \$830,000 of the claimed \$1.1 million is not allowed.

As authorized by HSC section 34179 (h), Finance is returning your ROPS for your reconsideration. This action will cause the specific 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 Chikako Takagi-Galamba, Supervisor or Wendy Griffe, Lead Analyst at (916) 322-2985.

Sincerely,



MARK HILL
Program Budget Manager

Attachment

cc: Jane Chambers, City Manager, City of Ukiah
Sage Sangiacomo, Assistant City Manager, City of Ukiah
David Rapport, City Attorney, City of Ukiah
Linda Brown, Redevelopment Secretary, City of Ukiah
Iris Yang, Attorney, Best Best & Krieger LLP
Meredith J. Ford, Auditor-Controller, Mendocino County

Attachment A

Administrative Cost Calculation For the period Jan - June 2012

Total claimed from RPTTF	\$ 4,919,508
(Less disallowed items 3 and 14)	3,120,788
Total funded from RPTTF:	1,798,720
5% Property tax allocation:	89,936
Allowable Administrative Costs (Greater of 5% or \$250,000):	\$ 250,000

Line Items Considered Administrative Costs

Page	Line item	Description	Jan-June 2012
3	1	Successor Agency Admin	\$ 250,000
1	2	Maintenance of Assets	15,000
1	8	Audit Services	-
1	9	Legal Services	570,000
1	10	Legal Services	175,000
1	11	Fiscal Consulting	70,000
		Total claimed:	1,080,000
		Less allowable Administrative Costs:	250,000
		Amount Disallowed Administrative	\$ 830,000