



April 26, 2012

Jeremy Craig, Director of Finance and Technology
Department of Housing and Redevelopment
40 Eldridge Avenue, Suite 1-10
Vacaville, CA 95688

Dear Mr. Craig:

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the City of Vacaville 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.

The ROPS submitted to Finance contained payments posted for January through June which were not expected to occur, resulting in a credit for the period July through December. In addition, administrative costs are reported with project costs on the same line. Therefore, both ROPS are not approved for making obligation payments. See the example in Exhibit 6 of http://www.dof.ca.gov/assembly_bills_26-27/view.php. Resubmit corrected board-approved ROPS for both periods and send to: Redevelopment_Administration@dof.ca.gov.

In addition, Finance has determined a line item included on the ROPS is not an enforceable obligation (EO). HSC section 34171 (d) lists enforceable obligations characteristics. Based on our application of the law, the following items do not qualify as EOs:

January through June 2012 period:

- Vacaville Project Area, Item No. 7 and I-505/80 Project Area, Item No. 5, totaling \$9.4 million. Section 34177(i) states "bond proceeds shall be used for the purposes for which bonds sold unless the purposes can no longer be achieved, in which case, the proceeds may be used to defease the bonds." It is not the intent of ABx1 26 to allow successor agencies to enter into new contracts, unless those contracts are specifically required pursuant to the terms of another pre-existing contract that meets the requirements of ABx1 26, or are specifically required by bond indentures. Based upon the documentation provided \$9.4 million of the claimed \$9.6 million is not supported by contracts and therefore is not an EO.
- Vacaville Project Area, Item Nos. 7, 16, 22 and 25; and I-505/80 Project Area, Item Nos. 5, 13, 24, 33, and 34 through 40, reports \$716,928 of administrative cost in excess of the amounts allowed. HSC section 34171 (b) limits administrative expenses to five percent of property tax allocated to the successor agency or \$250,000, whichever is greater. Five percent of the property tax allocated is \$419,988. Therefore \$716,928 of the claimed \$1,136,916 is not an EO.

July through December 2012 period:

Vacaville Project Area, Item No. 7 and I-505/80 Project Area, Item No. 5, totaling (\$45,306.12). These line items include both administrative costs and unexpended bond proceeds. 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 not the intent of ABx1 26 to allow successor agencies to enter into new contracts, unless those contracts are specifically required pursuant to the terms of another pre-existing contract that meets the requirements of ABx1 26, or are specifically required by bond indentures.

As authorized by HSC section 34179 (h), Finance is returning your ROPS for your reconsideration. This action will cause the ROPS noted above to be ineffective until Finance approval.

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, Supervisor or Kylie Le, Lead Analyst at (916) 322-2985.

Sincerely,



MARK HILL
Program Budget Manager

cc: Ms. Simona Padilla-Scholtens, Auditor/Controller, County of Solano
Mr. Jun Adeva, Deputy Auditor/Controller, County of Solano