DEPARTMENT OF FINANCE

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May 17, 2013

Mr. Jack Dilles, Finance Director
City of Clearlake
14050 Olympic Drive
Clearlake, CA 95422

Dear Mr. Dilles:

Subject: Recognized Obligation Payment Schedule

This letter supersedes California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS 13-14A) letter dated April 14, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Clearlake Successor Agency (Agency) submitted a ROPS 13-14A to Finance on February 28, 2013 for the period of July through December 2013 Subsequently, the Agency requested a Meet and Confer session on one or more of the items denied by Finance. The Meet and Confer session was held on April 30, 2013.

Based on a review of additional information and documentation provided to Finance during the Meet and Confer process, Finance has completed its review of the specific item being disputed:

- ROPS II prior period adjustment in the amount of $46,581. The Agency contends this adjustment, as well as the revised County-Auditor Controller (CAC) adjustment in the amount of $287,495 that was provided subsequent to Finance's April 14, 2013 letter. The Agency provided a revised self-reported prior period distribution including supporting documentation for the actual RPTTF distribution. The miscalculation resulted from the Agency's misreporting of actual RPTTF distributed for ROPS II. Finance agrees with the Agency's revised prior period adjustment in the amount of $240,915. The CAC also agreed to this update. Therefore, Finance has revised the ROPS II prior period adjustment in the table below to reflect the corrected amount.

In addition, per Finance's ROPS letter dated April 14, 2013, the following items continue to be reclassified as administrative costs and were not contested by the Agency:

- Item Nos. 8 and 15 – Although enforceable, occupancy costs in the amount of $500 and auditing services in the amount of $5,000, totaling $5,500, are considered general administrative costs and have been reclassified. Although this reclassification increased administrative costs by $5,500, the administrative costs allowance has not been exceeded.

Except for items denied in whole or in part as enforceable obligations, Finance is not objecting to the remaining items listed on your ROPS 13-14A. Obligations deemed not to be enforceable shall be removed from your ROPS. This is Finance's final determination related to the

enforceable obligations reported on your ROPS for July through December 2013. Finance's determination is effective for this time period only and should not be conclusively relied on for future periods. All items listed on a future ROPS are subject to a subsequent review and may be denied even if it was or was not denied on this ROPS or a preceding ROPS.

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is $701,744 as summarized below:

Approved RPTTF Distribution Amount		
For the period of July through December 2013		
Total RPTTF funding requested for obligations	$	874,259
Minus: Six-month total for items denied or reclassified as administrative cost		
Item 8*		500
Item 15*		5,000
Total approved RPTTF for enforceable obligations	$	868,759
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost		73,900
Minus: ROPS II prior period adjustment		(240,915)
Total RPTTF approved for distribution:	**$**	**701,744**

*Reclassified as administrative cost

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2012 period. HSC Section 34186 (a) also specifies that the prior period adjustments self-reported by successor agencies are subject to audit by the county auditor-controller (CAC) and the State Controller. The amount of RPTTF approved in the above table includes the prior period adjustment resulting from the Agency's self-reported prior period adjustment.

Please refer to the ROPS 13-14A schedule that was used to calculate the approved RPTTF amount:

http://www.dof.ca.gov/redevelopment/ROPS/ROPS 13-14A Forms by Successor Agency/.

This is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2013. Finance's determination is effective for this time period only and should not be conclusively relied upon for future periods. All items listed on a future ROPS are subject to a subsequent review and may be denied even if it was or was not denied on this ROPS or a preceding ROPS. The only exception is for those items that have received a Final and Conclusive determination from Finance pursuant to HSC 34177.5 (i). Finance's review of items that have received a Final and Conclusive determination is limited to confirming the scheduled payments as required by the obligation.

The amount available from the RPTTF is the same as the amount of property tax increment that was available prior to enactment of ABx1 26 and AB 1484. 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 to the successor agency in the RPTTF.

To the extent proceeds from bonds issued after December 31, 2010 exist and are not encumbered by an enforceable obligation pursuant to 34171 (d), HSC section 34191.4 (c)(2)(B)

requires these proceeds be used to defease the bonds or to purchase those same outstanding bonds on the open market for cancellation.

Please direct inquiries to Beliz Chappuie, Supervisor or Cindie Lor, Lead Analyst at (916) 445-1546.

Sincerely,

STEVE SZALAY
Local Government Consultant

cc: Ms. Joan Phillipe, City Manager, City of Clearlake
Ms. Cathy Saderlund, Auditor-Controller, Lake County
Mr. Liz Martinez, Accountant II, Lake County
California State Controller's Office