



October 28, 2013

Ms. Tamara Laken, Finance Director
City of Lindsay
251 East Honolulu
Lindsay, CA 93247

Dear Ms. Laken:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Lindsay Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14B) to the California Department of Finance (Finance) on September 16, 2013 for the period of January through June 2014. Finance has completed its review of your ROPS 13-14B, which may have included obtaining clarification for various items.

HSC section 34171 (d) defines enforceable obligations. Based on a sample of line items reviewed and application of the law, the following does not qualify as an enforceable obligation for the reasons specified:

- Item No. 7 – Professional Services Legal in the amount of \$1,250. This item is considered general administrative costs and has been reclassified. Although this reclassification increased administrative costs to \$11,250, the administrative cost allowance has not been exceeded.

For funding sources other than RPTTF, Finance made adjustments and/or reclassifications to the Prior Period Adjustments (PPA) form to ensure consistency with the funding sources and amounts approved by Finance on the January through June 2013 ROPS (ROPS III). HSC Section 34177 (a) (3) states that the Agency can only make payments listed on the ROPS, from the funds listed and authorized by Finance. In addition, adjustments were made to the Fund Balances form based upon information provided by the Agency during our review.

Based upon a review of the Agency's PPA form, the following reclassifications were made:

- Items Nos. 3 and 8 contain transposition errors. The authorized amounts for these two items listed on ROPS III are \$89,886 and \$98,688 respectively. The Agency reported these figures as \$89,686 and \$98,888. Since the amounts offset each other, there was no impact on the PPA.
- Item No. 13 did not include the ROPS III authorized amount of \$3,690,000 in Other Funds. This item does not have any impact on the RPPTF.

- Item No. 7 was reclassified to Admin during ROPS III period; however, the Agency reported it under RPTTF expenditures. When reclassified the item to Admin, the PPA amount of \$3,618 was eliminated.

Based upon a review of the Fund Balances form, the following adjustments were made:

- Documentation provided demonstrates that the Agency has bond reserves in the amount of \$915,301 and should be reported as Bond Proceeds in Row 1, Column C of the form.
- The RPTTF distribution and expenditures for the ROPS III and ROPS 13-14A period were listed in Column C, Bond Proceeds but should be reported in Column H, Non-Admin RPTTF.
- Retention of reserve balances in the amount of \$3,935,347 was listed in Column C, Bond Proceeds. The amount represents Agency's liability to pay the CalHFA loan and is not available funds.

Pursuant to HSC Section 34186 (a), successor agencies were required to report the estimated obligations and actual payments (prior period adjustments) associated with the January through June 2013 period. The amount of RPTTF approved in the table below includes the prior period adjustment that was self-reported by the Agency. 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. Any proposed CAC adjustments were not received in time for inclusion in this letter. Therefore, the amount of RPTTF approved in the table below includes only the prior period adjustment that was self-reported by the Agency.

Except for the item that has been reclassified, Finance is not objecting to the remaining items listed on your ROPS 13-14B. If you disagree with the determination with respect to any items on your ROPS 13-14B, you may request a Meet and Confer within five business days of the date of this letter. The Meet and Confer process and guidelines are available at Finance's website below:

http://www.dof.ca.gov/redevelopment/meet_and_confer/

The Agency's maximum approved RPTTF distribution for the reporting period is \$1,837,344 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2014	
Total RPTTF requested for non-administrative obligations	1,827,344
Total RPTTF requested for administrative obligations	10,000
Total RPTTF requested for obligations	\$ 1,837,344
Total RPTTF requested for non-administrative obligations	1,827,344
<u>Reclassified Items</u>	
Item No. 7	(1,250)
Total RPTTF approved for non-administrative obligations	1,826,094
Total RPTTF requested for administrative obligations	10,000
<u>Reclassified Items</u>	
Item No. 7	1,250
Total RPTTF for administrative obligations	11,250
Self-Reported ROPS III prior period adjustment (PPA)	-
Total RPTTF approved for distribution	\$ 1,837,344

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

[http://www.dof.ca.gov/redevelopment/ROPS/ROPS 13-14B Forms by Successor Agency/](http://www.dof.ca.gov/redevelopment/ROPS/ROPS_13-14B_Forms_by_Successor_Agency/).

Absent a Meet and Confer, this is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2014. This determination applies only to items where funding was requested for the six month period. 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 HSC section 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.

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

Sincerely,



JUSTYN HOWARD
Assistant Program Budget Manager

cc: Ms. Maria Knutson, Administrative Supervisor, City of Lindsay
Ms. Rita A Woodard, Auditor-Controller, Tulare County
California State Controller's Office