DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR
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November 14, 2013

Mr. Micah Runner, Interim Economic Development Director
City of Stockton
425 North El Dorado Street
Stockton, CA 95202

Dear Mr. Runner:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Stockton Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14B) to the California Department of Finance (Finance) on September 30, 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. 50 – City of Stockton (City) Loan in the amount of $450,000 is not partially denied. It is our understanding the loan agreement is between the City and the Agency for administrative costs, project-related expenses, and enforceable obligations for ROPS II and III period, which includes enforceable obligations paid between July 1, 2012 and June 30, 2013. HSC section 34173 (h) allows the city that created the redevelopment agency to loan or grant funds to the Agency for administrative costs, enforceable obligations, or project-related expense at the city's discretion. The Agency indicated that the requested amount included costs that are encompassed within the Administrative Cost Allowance (ACA). As reflected on the prior period payments submitted with ROPS 13-14A and 13-14B, the Agency has received and expended its full allocation of ACA for fiscal year 2012-13. Therefore, provision of a City loan for administrative expenditures would enable the Agency to exceed its fiscal year ACA, thereby circumventing the statutorily established cap. The Agency has submitted documentation to support the need for a City loan for non-administrative expenditures in the amount of $41,200. Therefore, the excess $408,800 is not an enforceable obligation and not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.

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 denied in whole or in part as an enforceable obligation, 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 $10,828,503 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2014		
Total RPTTF requested for non-administrative obligations		10,910,003
Total RPTTF requested for administrative obligations		327,300
Total RPTTF requested for obligations	**$**	**11,237,303**
Total RPTTF requested for non-administrative obligations		**10,910,003**
Denied Item		
Item No. 50		(408,800)
Total RPTTF approved for non-administrative obligations		**10,501,203**
Total RPTTF requested for administrative obligations		**327,300**
Total RPTTF approved for administrative obligations		**327,300**
Total RPTTF approved for obligations		**10,828,503**
ROPS III prior period adjustment		0
Total RPTTF approved for distribution	**$**	**10,828,503**

Pursuant to HSC section 34177 (l) (1) (E), agencies are required to use all available funding sources prior to RPTTF for payment of enforceable obligations. Beginning with the ROPS 13-14B period, Finance required successor agencies to identify fund balances for various types of funds in its possession. During our ROPS 13-14B review, Finance requested financial records to support the fund balances reported by the Agency; however, Finance was unable to reconcile the financial records to the amounts reported. As a result, Finance will continue to work with the Agency after the ROPS 13-14B review period to properly identify the Agency's fund balances. If it is determined the Agency possesses fund balances that are available to pay approved obligations, the Agency should request the use of these fund balances prior to requesting RPTTF in ROPS 14-15A.

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/.

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.

Please direct inquiries to Wendy Griffe, Supervisor or Medy Lamorena, Lead Analyst at (916) 445-1546.

Sincerely,

JUSTYN HOWARD
Assistant Program Budget Manager

cc: Ms. LaVerna Blanco, Program Manager II, Stockton City
Ms. Sandra Chan, Chief Deputy Auditor Controller, San Joaquin County
California State Controller's Office