DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. ▪ GOVERNOR
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December 11, 2013

Ms. Jenny Haruyama, Administrative Services Director
City of Tracy
333 Civic Center Plaza
Tracy, CA 95376

Dear Ms. Haruyama:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Tracy Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14B) to the California Department of Finance (Finance) on November 6, 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.

Based on our review, we are approving all of the items listed on your ROPS 13-14B at this time.

However, per HSC section 34177 (m), the ROPS for this period was due no later than October 4, 2013. As stated above, the Agency submitted their ROPS 13-14B on November 6, 2013. Pursuant to HSC 34177 (m) (2), if a ROPS is not submitted within ten days of the due date, the agency shall incur a 25 percent reduction to the administrative cost allowance for the period. As such, $125,000 of ROPS 13-14B administrative expenses allowed pursuant to the cap is reduced by $31,250 ($125,000*.25). Therefore, the Agency's administrative allowance for the ROPS 13-14B period is $93,750 ($125,000-$31,250).

During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that are required to be used prior to requesting funds from the Redevelopment Property Tax Trust Fund (RPTTF). Pursuant to HSC section 34177 (l) (1) (E), RPTTF may be used as a funding source, but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation. The Agency provided a reconciliation of Agency accounts displaying available reserve balances in the amount of $28,925.

Therefore, the funding source for the following item is being reclassified to the reserve balances in the amount specified below:

> Item No. 7 – Agency Administrative Costs is partially reclassified from RPTTF to reserve balances in the amount of $28,925. The Agency requests RPTTF in the amount of $125,000; however, only $93,750 is allowable as a result of the 25 percent reduction to the administrative costs cap. Further, the Agency has available reserve balances in the

amount of $28,925. Therefore, Finance is approving RPTTF in the amount of $64,825 ($93,750-$28,925) and reclassifying $28,925 to reserve balances.

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14B form the estimated obligations and actual payments (prior period adjustments) associated with the January through June 2013 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 below table includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

Except for the item that has been partially 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. Since your ROPS was submitted over a month past the due date, time is of the essence. If you wish to request a Meet and Confer, it is imperative to do so as soon as possible since, pursuant to HSC section 34177 (m), Finance's Meet and Confer determinations are due by December 17, 2013. 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 $2,582,969 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2014	
Total RPTTF requested for non-administrative obligations	2,518,144
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations	**$ 2,643,144**
Total RPTTF approved for non-administrative obligations	**2,518,144**
Total RPTTF allowable for administrative obligations (See Administrative Cost Cap Calculation table below)	**93,750**
Reclassified Item	
Item No. 7	(28,925)
Total RPTTF approved for administrative obligations	**64,825**
Total RPTTF approved for obligations	**2,582,969**
ROPS III prior period adjustment	-
Total RPTTF approved for distribution	**$ 2,582,969**
Administrative Cost Cap Calculation	
Total RPTTF for 13-14A (July through December 2013)	1,606,144
Total RPTTF for 13-14B (January through June 2014)	2,518,144
Total adminsitartive costs for fiscal year 2013-14	**4,124,288**
Allowable administrative cost for fiscal year 2013-14 (Greater of 3% or $250,000)	250,000
Administrative allowance for 13-14A (July through December 2013)	(125,000)
Eligible administrative costs pursuant to the cap	**125,000**
25 percent administrative cost reduction pursuant to HSC 34177 (m) (2)	(31,250)
Administrative cost allowance for ROPS 13-14B	**93,750**

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: Mr. Robert Harmon, Senior Accountant, City of Tracy
Ms. Sandra Chan, Chief Deputy Auditor Controller, San Joaquin County
California State Controller's Office