DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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December 17, 2013

Ms. Darlene Thompson, Finance Director/Treasurer
City of Tulare
411 East Kern Ave
Tulare, CA 93274

Dear Ms. Thompson:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated November 1, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Tulare Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14B) to Finance on September 27, 2013, for the period of January through June 2014. Finance issued a ROPS determination letter on November 1, 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 November 14, 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 items being disputed.

- Item No. 11 – Loan from the City of Tulare (City) for the July 2012 True Up payment in the amount of $385,597. Finance continues to deny this item. The July 2012 True Up payment was for collection of residual tax increment funds owed to the affected taxing entities for the January through June 2012 period. The Agency contends the item is an enforceable obligation because the Agency had to borrow money and paid under protest to avoid statutory penalties. Per HSC section 34173 (h), the city, county, or city and county that authorized the creation of a redevelopment agency may loan or grant funds to a successor agency for administrative costs, enforceable obligations, or project-related expenses at the city's discretion; an enforceable obligation shall be deemed to be created for the repayment of those loans. However, the true-up payment is not for administrative costs, enforceable obligations, or project-related expenses. The City loan is for the July true-up payment and not for a City loan pursuant to 34173 (h); therefore, this item is not an enforceable obligation.

  Furthermore, HSC section 34178 (a) states that a successor agency or an oversight board shall not exercise the powers granted by this subdivision to restore funding for an enforceable obligation that was deleted or reduced by the Finance pursuant to subdivision (h) of Section 34179 unless it reflects the decisions made during the meet and confer process with Finance or pursuant to a court order. This item was also denied

in Finance's ROPS III Meet and Confer determination letter dated December 18, 2012. Therefore, the Agency is not permitted to request Redevelopment Property Tax Trust Fund (RPTTF) funding for this amount.

- Item No. 16 – Litigation Costs in the amount of $50,000. Finance no longer denies this item. Finance initially denied the item as the Agency was not able to provide sufficient documentation to demonstrate the litigation costs is the Agency's obligation. Initial documents provided were a correspondence and an agreement between the City and Colantuono & Levin, PC. During the Meet and Confer process, the Agency provided additional documents showing that the Agency is a party to a lawsuit. Therefore, this item is an enforceable obligation and is eligible for RPTTF funding.

- 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. During the Meet and Confer process, the CAC revised their prior period adjustment. The table below now reflects the revised amount. Additionally, the Agency had over expended on Item Nos. 4 and 7 by $7,901 and $4,507, respectively. Therefore, Finance is increasing the amounts requested for Item Nos. 4 and 7 by these amounts on ROPS 13-14B to cover the over expenditure from ROPS III.

In addition, per Finance's letter dated November 1, 2013, we continue to deny the following items not contested by the Agency during the Meet and Confer:

- Item No. 17 – Property Management Plan in the amount of $40,000. The Agency recorded this obligation as Item No. 10 on the ROPS Detail tab which belonged to a previously denied item. Finance changed it to Item No. 17 to properly record this new estimated cost.

  According to a proposal for property management plan costs, the Agency desires to enter into an agreement for preparation of its Long-Range Property Management Plan (LRPMP). The Agency was not able to provide executed expenditure contracts for costs related to the LRPMP; therefore, this item is not an enforceable obligation and is not eligible for RPTTF funding at this time.

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. Based on our review of the Fund Balances form, the following adjustment was made to the form (these adjustments do not impact the RPTTF approved amount):

- Beginning Available Fund Balance (Actual 01/01/13). Due Diligence Review balances retained for approved enforceable obligations in the amount of $385,331 should be $788,889. The adjustment is based on the non-bond cash reported in the December 31, 2012, trial balance which is $403,558 larger than the reported beginning available fund balances on the Fund Balances form submitted by the Agency.

During the Meet and Confer process, the Agency stated that they are still finalizing the year-end accounting and it is not possible to determine an accurate fund balance at this time. Therefore, the Agency should continue to work with Finance 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 on the ROPS for the July through December 2014 period (ROPS 14-15A).

- Retention of Available Fund Balance (Estimate 12/31/13). RPTTF amounts retained for debt service in ROPS 13-14A should be $825,064. During the ROPS 13-14A period the Agency requested to retain RPTTF for the ROPS 13-14B period debt service payments. The Agency received the full amount of RPTTF authorized during the ROPS 13-14A period and requested to expend these reserves during the ROPS 13-14B period. Therefore, the retained balance was changed to $825,064 and expenditures for the ROPS 13-14A period was reduced by the same amount with a net zero affect to the ending balance. Finance notes the Agency did not request to meet and confer on this item.

Except for the items denied in whole or in part as enforceable obligations, Finance is not objecting to the remaining items listed on your ROPS 13-14B. The Agency's maximum approved RPTTF distribution for the reporting period is $375,517 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2014		
Total RPTTF requested for non-administrative obligations		675,597
Total RPTTF requested for administrative obligations		125,000
Total RPTTF requested for obligations	**$**	**800,597**
Total RPTTF requested for non-administrative obligations		**675,597**
Denied Items		
Item No. 11		(385,597)
Item No. 17		(40,000)
Adjustment to Items		
Item No. 4		7,901
Item No. 7		4,507
		(413,189)
Total RPTTF approved for non-administrative obligations		**262,408**
Total RPTTF approved for administrative obligations		**125,000**
Total RPTTF approved for obligations		**387,408**
ROPS III prior period adjustment		(11,891)
Total RPTTF approved for distribution	**$**	**375,517**

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/.

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 section 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 Evelyn Suess, Dispute Resolution Supervisor, or Mary Halterman, Analyst, at (916) 445-1546.

Sincerely,

JUSTYN HOWARD
Assistant Program Budget Manager

cc: Ms. Roxanne Yoder, Chief Deputy City Cler, City of Tulare
Ms. Rita A. Woodard, Auditor-Controller, Tulare County
California State Controller's Office