

November 13, 2013

Ms. Marie Lorenzi, Senior Accountant  
City of Turlock  
156 South Broadway, Suite 110  
Turlock, CA 95380

Dear Ms. Lorenzi:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Turlock 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 do not qualify as enforceable obligations for the reasons specified:

- Item No. 24 – General Services Agreement for the Public Safety Facility in the amount of \$300,000 is not an obligation of the Agency. It is our understanding this agreement entered into on April 22, 2008 and expired in December 2011, is between the City of Turlock (City) and WLC Architects, and the former redevelopment agency is not a party to the contract. A valid agreement between the City and the Agency requiring the Agency to fund this contract was not provided. The Agency provided Resolution No. 2008-006; however, this resolution is not a binding contract and only discusses repayment in bond proceeds. In addition, the Agency provided Resolution No. 2009-07, this resolution is also not a binding contract and also was not signed at the same time as the contract, therefore does not meet the HSC section 34171 (d) (2) exception. Therefore, this line item is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding on this ROPS.
- Item No. 28 – City of Turlock Loan/Advance Repayment in the amount of \$100,000 is not allowed at this time. The Agency was unable to provide documentation supporting this item as an enforceable obligation. The Agency provided Resolution No. 2013-005, which appears to be an open-ended agreement with no specific amount, terms, items, or projects specified in it. Therefore, Finance is unable to determine that the costs associated with this item are supported by an underlying enforceable obligation. Therefore, this item is not eligible for RPTTF funding on this ROPS.

- Item No. 29 – Contract related to the Public Safety Facility Project in the amount of \$3,350 is not an enforceable obligation. This item is related to a contract for removal and disposition of contaminated soil and was signed on September 1, 2011. HSC section 34163 (b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011. In addition, the property is owned by the City, not the Agency. Therefore, this item is not an enforceable obligation and not eligible for RPTTF funding on this ROPS.

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 items denied in whole or in part as enforceable obligations, 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/](http://www.dof.ca.gov/redevelopment/meet_and_confer/)

The Agency’s maximum approved RPTTF distribution for the reporting period is \$3,356,104 as summarized below:

<b>Approved RPTTF Distribution Amount For the period of January through June 2014</b>	
Total RPTTF requested for non-administrative obligations	3,624,454
Total RPTTF requested for administrative obligations	135,000
<b>Total RPTTF requested for obligations</b>	<b>\$ 3,759,454</b>
<b>Total RPTTF requested for non-administrative obligations</b>	<b>3,624,454</b>
<u>Denied Items</u>	
Item No. 24	(300,000)
Item No. 28	(100,000)
Item No. 29	(3,350)
<b>Total RPTTF approved for non-administrative obligations</b>	<b>3,221,104</b>
<b>Total RPTTF requested for administrative obligations</b>	<b>135,000</b>
<b>Total RPTTF approved for administrative obligations</b>	<b>135,000</b>
<b>Total RPTTF approved for obligations</b>	<b>3,356,104</b>
ROPS III prior period adjustment	0
<b>Total RPTTF approved for distribution</b>	<b>\$ 3,356,104</b>

Pursuant to HSC section 34177 (I) (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/](http://www.dof.ca.gov/redevelopment/ROPS/ROPS%2013-14B%20Forms%20by%20Successor%20Agency/).

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 Jenny DeAngelis, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD  
Assistant Program Budget Manager

cc: Ms. Kellie Weaver, City Clerk, City of Turlock  
Ms. Lauren Klein, Auditor-Controller, Stanislaus County  
California State Controller's Office