



December 17, 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

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated November 13, 2013. 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 Finance on September 30, 2013, for the period of January through June 2014. Finance issued a ROPS determination letter on November 13, 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 26, 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. 24 – General Services Agreement for the Public Safety Facility totaling \$397,400. Finance continues to deny this item. The Agency has not provided sufficient information to overturn our previous determination. The agreement provided by the Agency was entered into on April 22, 2008 and expired in December 2011. In addition, the agreement was between the City of Turlock (City) and WLC Architects; the former redevelopment agency was not a party to the contract. While the Agency provided Resolution Nos. 2008-006 and 2009-07, a valid agreement between the City and the Agency requiring the Agency to fund this contract was not provided. Therefore, this item is not an enforceable obligation of the Agency as defined in HSC section 34171 (d) and is not eligible for Redevelopment Property Tax Trust Fund (RPTTF).
- Item No. 28 – City of Turlock Loan/Advance Repayment totaling \$150,000. Finance continues to deny this item. The Agency previously provided Resolution No. 2013-005, which appears to be an open-ended agreement with no specific amount, terms, items, or projects specified in it. During the meet and confer, the Agency provided the Cooperative Agreement for Advance and reimbursement of Administrative, Overhead and Other Expenses dated February 1, 2013. The Agency claims this contract with the City is for the Inspector of Record for the Public Safety Facility and is a project related cost. As determined above, the Public Safety Facility Project is not an enforceable

obligation of the Agency; therefore, the requirement to employ an Inspector of Record for the project is not the responsibility of the Agency and is not an enforceable obligation.

- Item No. 29 – Contract related to the Public Safety Facility Project totaling \$3,400. Finance continues to deny this item. This item is related to a contract for removal and disposition of contaminated soil and was signed on September 1, 2011. Per HSC section 34163 (b), the former redevelopment agency was prohibited from entering into a contract with any entity after June 27, 2011. The Agency claims that after the project began, additional contamination was uncovered and this contract is in furtherance of the General Services Agreement for the Public Safety Facility. However, since the Public Safety Facility Project is not an enforceable obligation of the Agency, this item does not meet the requirements of HSC section 34177.3 (a) which state that the agency shall not create new enforceable obligations or begin new redevelopment work, except in compliance with an enforceable obligation that existed prior to June 28, 2011. Finally, the property requiring the cleanup belongs to the City. For all these reasons, 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. The Agency's maximum approved RPTTF distribution for the reporting period is \$3,356,104 as summarized below:

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

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/](http://www.dof.ca.gov/redevelopment/ROPS/ROPS%2013-14B%20Forms%20by%20Successor%20Agency/).

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 Danielle Brandon, 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