DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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April 8, 2014

Mr. Roger Hunt, Asst. RMA Director-Admin
Tulare County
5961 South Mooney Boulevard
Visalia, CA 93277

Dear Mr. Hunt:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the Tulare County Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15A) to the California Department of Finance (Finance) on February 25, 2014 for the period of July through December 2014. Finance has completed its review of your ROPS 14-15A, 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. 4 – 2009 Tax Allocation Bond Cutler-Orosi in the amount of $33,465 for payments due January through June 2015. HSC section 34171 (d) (1) (A) allows successor agencies to hold a reserve for debt service payments when the next property tax allocation will be insufficient to pay all obligations due under the provisions of the bond for the next payment due in the following half of the *calendar* year. The Agency currently has sufficient cash on hand to make its debt service payments; therefore, the request to fund payments the first half of the calendar year in not allowed.

During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should be used prior to requesting 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. Balances reported on the Cash Balance Form and Agency provided financial records indicate available Reserve Balances and unencumbered RPTTF funds.

Therefore, with the Agency's concurrence, the funding source for the following items have been reclassified to Reserve Balances in the amounts specified below:

- Item No. 1 – 2007 Tax Allocation Bond Richgrove debt service in the amount of $77,532.
- Item No. 2 – 2007 Tax Allocation Bond Richgrove reserves in the amount of $10,670.
- Item No. 3 – 2007 Tax Allocation Bond Richgrove trustee fee in the amount of $2,410.

- Item No. 4 – 2009 Tax Allocation Bond Cutler-Orosi debt service in the amount of $90,057.
- Item No. 5 – 2009 Tax Allocation Bond Cutler-Orosi trustee fee in the amount of $2,410.
- Item No. 6 – 2009 Tax Allocation Bond Cutler-Orosi debt service in the amount of $12,636.
- Item No. 8 – CIEDB Loan Goshen debt installment in the amount of $74,834.
- Item No. 9 – CIEDB Loan Goshen annual fee in the amount of $4,246.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 14-15A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2013 period. HSC section 34186 (a) also specifies 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 table below includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

The amount of RPTTF approved in the above table includes excess prior period adjustment of $168,686. The current approved RPTTF is insufficient to allow for the prior period adjustments of $208,136 during this ROPS period. The Agency should apply the remaining funds prior to requesting RPTTF on future ROPS.

Except for the item denied in part as an enforceable obligation or for the items that have been reclassified, Finance is not objecting to the remaining items listed on your ROPS 14-15A. If you disagree with the determination with respect to any items on your ROPS 14-15A, 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 zero as summarized below:

Approved RPTTF Distribution For the period of July through December 2014		
Total RPTTF requested for non-administrative obligations		310,260
Total RPTTF requested for administrative obligations		39,450
Total RPTTF requested for obligations	**$**	**349,710**
Total RPTTF requested for non-administrative obligations		**310,260**
Denied Item		
Item No. 4		(35,465)
		(35,465)
Total RPTTF for non-administrative obligations		**274,795**
Cash Balances - Items reclassified to other funding sources		
Item No. 1		(77,532)
Item No. 2		(10,670)
Item No. 3		(2,410)
Item No. 4		(90,057)
Item No. 5		(2,410)
Item No. 6		(12,636)
Item No. 8		(74,834)
Item No. 9		(4,246)
		(274,795)
Total RPTTF authorized for non-administrative obligations		**0**
Total RPTTF requested for administrative obligations		**39,450**
Total RPTTF authorized for obligations	**$**	**39,450**
ROPS 13-14A prior period adjustment		(208,136)
Excess PPA		168,686
Total RPTTF approved for distribution		**$0**

Please refer to the ROPS 14-15A schedule that was used to calculate the approved RPTTF amount:

http://www.dof.ca.gov/redevelopment/ROPS

Absent a Meet and Confer, this is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2014. This determination only applies 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 Beliz Chappuie, Supervisor or Todd Vermillion, Lead Analyst at (916) 445-1546.

Sincerely,

JUSTYN HOWARD
Assistant Program Budget Manager

cc: Ms. Sophia Almanza, Fiscal Manager, Tulare County
Ms. Rita A Woodard, Auditor-Controller, Tulare County
California State Controller's Office