



December 17, 2014

Ms. Soledad Ruiz-Nunez, Finance Director
City of Corcoran
832 Whitney Avenue
Corcoran, CA 93212

Dear Ms. Ruiz-Nunez:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated November 10, 2014. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Corcoran Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15B) to Finance on September 29, 2014, for the period of January through June 2015. Finance issued a ROPS determination letter on November 10, 2014. 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 19, 2014.

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 item being disputed.

- Item No. 9 – City Loan in the amount of \$2,060,019 is not allowed. Finance continues to deny this item at this time. Although the Agency received a Finding a Completion and the oversight board made a finding that the loan was for a legitimate redevelopment purpose pursuant to HSC section 34191.4 (b), Finance denied this item because the Agency was not able to provide sufficient documentation to demonstrate that the Agency currently owes amounts on the loan. The former redevelopment agency (RDA) had borrowed \$2,000,000 to purchase seven parcels of land located on the northeast quadrant of Whitley and Pickerell Avenues. With the dissolution of the former RDA, the titles were transferred to the City of Corcoran (City) on the premise that monies used to acquire the various parcels were in essence City funds and the transfer of the property could be considered payment of the loan. Finance's March 25, 2013 letter determined that this was an invalid transfer of property valued at \$1,919,920. However, the Agency has not demonstrated that the transfer of the property has been reversed. To the extent the Agency can demonstrate that the titles have been transferred back to the Agency and that the Agency owes amounts on the loan, the Agency may be able to obtain funds on future ROPS.

During the Meet and Confer process, the Agency indicated that the City would like to retain the property as repayment on the loan. However, the property should be returned to the Agency and disposed of in a manner consistent with the Agency's Long Range

Property Management Plan pursuant to HSC section 34191.5. Finance notes that to the extent the City would like to retain these parcels, HSC section 34191.5 (c) (2) states that one of the property disposition options available to the successor agency of the former RDA is the retention of property for future development purposes pursuant to an approved Long Range Property Management Plan. If this option is selected, HSC section 34180 (f) (1) states that the sponsoring entity must reach a compensation agreement with the other taxing entities to provide payments to them in proportion to their shares of the base property tax, as determined pursuant to HSC section 34188, for the value of the property retained.

In addition, per Finance's letter dated November 10, 2014, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

- Item No. 12 – City Reimbursement in the amount of \$134,771 is not allowed. The Agency contends the 20 percent set-aside funds deposited in the Low and Moderate Income Housing Fund (LMIHF) in December 2011 should have gone towards debt service instead. The Agency further claims that the unencumbered balances in LMIHF were remitted to the affected taxing entities during the LMIHF Due Diligence Review (DDR) and that the Agency did not have the opportunity to correct the error in time. However, our review of the RPTTF requested, received, and spent during the ROPS I and II period note that the Agency paid its enforceable obligations for debt service. Therefore, there is no unfunded obligation and the item is not eligible for RPTTF funding.
- Claimed administrative costs exceed the allowance by \$4,500. HSC section 34171 (b) limits fiscal year 2014-15 administrative expenses to three percent of property tax allocated to the successor agency or \$250,000, whichever is greater. As a result, the Agency is eligible for \$250,000 in administrative expenses. The Kings County Auditor-Controller's Office distributed \$63,768 for the July through December 2014 period, thus leaving a balance of \$189,232 available for the January through June 2015 period. Although \$129,500 is claimed for administrative cost, Item No. 13 for ROPS 14-15A Admin RPTTF Shortfall in the amount of \$61,232 is considered an administrative expense and should be counted toward the cap. Therefore, \$4,500 of excess administrative cost is not allowed.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 14-15B form the estimated obligations and actual payments (prior period adjustments) associated with the January through June 2014 period. The amount of RPTTF approved in the table below reflects the prior period adjustment self-reported by the Agency. 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. Proposed CAC adjustments were not received in time for inclusion in this letter; therefore, the amount of RPTTF approved in the table below only reflects the prior period adjustment self-reported by the Agency.

Except for items denied in whole or in part or that have been reclassified, Finance is not objecting to the remaining items listed on your ROPS 14-15B. The Agency's maximum approved RPTTF distribution for the reporting period is \$221,016 as summarized in the Approved RPTTF Distribution Table on the following page:

Approved RPTTF Distribution For the period of January through June 2015	
Total RPTTF requested for non-administrative obligations	321,392
Total RPTTF requested for administrative obligations	129,500
Total RPTTF requested for obligations on ROPS	\$ 450,892
Total RPTTF requested for non-administrative obligations	321,392
<u>Denied Items</u>	
Item No. 9	(50,581)
Item No. 12	(134,771)
	(185,352)
<u>Reclassified Item</u>	
Item No. 13	(61,232)
	(61,232)
Total RPTTF authorized for non-administrative obligations	\$ 74,808
Total RPTTF requested for administrative obligations	129,500
<u>Reclassified Item</u>	
Item No. 13	61,232
	61,232
Administrative costs in excess of the cap (see Admin Cost Cap table below)	(4,500)
Total RPTTF authorized for administrative obligations	\$ 186,232
Total RPTTF authorized for obligations	\$ 261,040
ROPS 13-14B prior period adjustment	(40,024)
Total RPTTF approved for distribution	\$ 221,016

Administrative Cost Cap Calculation	
Total RPTTF for 14-15A (July through December 2014)	340,767
Total RPTTF for 14-15B (January through June 2015)	74,808
Total RPTTF for fiscal year 2014-2015	415,575
Allowable administrative cost for fiscal year 2014-15	250,000
Administrative allowance for 14-15A (July through December 2014)	63,768
Allowable RPTTF distribution for administrative cost for ROPS 14-15B	186,232
Total RPTTF administrative obligations after Finance adjustments	190,732
Administrative costs in excess of the cap	\$ (4,500)

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

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

This is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2015. 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 the 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 agency in the RPTTF.

Pursuant to HSC section 34177 (a) (3), only those payments listed on an approved ROPS may be made by the successor agency from the funds specified in the ROPS. However, if for whatever reason the Agency needs to make payments for approved obligations from another funding source, HSC section 34177 (a) (4) requires the Agency to first obtain oversight board approval.

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
Acting Program Budget Manager

cc: Mr. Kindon Meik, City Manager, City of Corcoran
Ms. Cassandra Mann, Property Tax Manager, Kings County
California State Controller's Office