DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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December 17, 2014

Ms. Maria Bemis, Finance Director
City of Porterville
291 North Main Street
Porterville, CA 93257

Dear Ms. Bemis:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated November 13, 2014. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Porterville Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15B) to Finance on October 1, 2014, for the period of January through June 2015. Finance issued a ROPS determination letter on November 13, 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 December 2, 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 items being disputed.

- Item No. 17 – Loan for Reimbursement of Costs in the amount of $93,912. Finance continues to deny this item. As previously stated, Finance denied Agency's Oversight Board Resolution No. 2014-01 approving the loan agreement for the July through December 2013 ROPS (ROPS 13-14A) deficit amount. The Agency received $236,271 of Redevelopment Property Tax Trust Fund (RPTTF) distribution equal to the amount approved by Finance on April 13, 2013. The amount also agreed with the County Auditor-Controller Distribution Report for the ROPS 13-14A period. Therefore, this item is not eligible for RPTTF funding.

- Item No. 18 – RPTTF shortfall on January through June 2013 ROPS (ROPS III) in the amount of $126,043. Finance continues to deny this item. As previously stated, the Tulare County Auditor-Controller (CAC) reports the Agency received a RPTTF distribution equal to the amount Finance approved on ROPS III. Therefore, the Agency's request for a ROPS III shortfall is not eligible for RPTTF funding.

- Item Nos. 1 through 4 and 7 – 2008 Tax Allocation Bonds and Arbitrage increase in the amount of $121,100. During the meet and confer the Agency provided additional information and documentation supporting that it did not request, and therefore did not receive, sufficient authority and RPTTF to pay its actual debt service costs for ROPS III.

Finance compared the amounts requested to the corresponding debt service schedules and confirmed the Agency should have requested more funding. Our review indicates that while the Agency only requested $255,191 for debt service and arbitrage, a total of $376,291 was needed during ROPS III. Therefore, Finance has determined that the Agency should have requested $121,100 more than it did for Item Nos. 1 through 4 and 7. As such, to provide the Agency authority and RPTTF to pay its debt service obligations from the ROPS III period, Finance is increasing the following items in the amounts specified totaling $121,100:

- Item No. 1 – 2008 Tax Allocation Bonds Series A - $71,400 increase
- Item No. 2 – 2008 Tax Allocation Bonds Series B - $20,640 increase
- Item No. 3 – 2008 Tax Allocation Bonds Series C - $20,400 increase
- Item No. 4 – 2008 Tax Allocation Bonds Series D - $5,160 increase
- Item No. 7 – 2008 Tax Allocation Bonds Arbitrage - $3,500 increase

In addition, per Finance's letter dated November 13, 2014, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

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. 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 review of the Agency's self-reported prior period adjustment.

Except for the items denied in whole or in part, 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 $638,550 as summarized in the Approved RPTTF Distribution Table below:

Approved RPTTF Distribution For the period of January through June 2015		
Total RPTTF requested for non-administrative obligations		691,612
Total RPTTF requested for administrative obligations		51,000
Total RPTTF requested for obligations on ROPS	**$**	**742,612**
RPTTF adjustment to Item Nos. 1, 2, 3, 4, and 7		121,100
RPTTF adjustment to administrative obligations		-
Total RPTTF adjustments	**$**	**121,100**
Total RPTTF requested for non-administrative obligations		**812,712**
Denied Items		
Item No. 17		(93,791)
Item No. 18		(126,043)
		(219,834)
Total RPTTF authorized for non-administrative obligations	**$**	**592,878**
Total RPTTF requested for administrative obligations		**51,000**
Total RPTTF authorized for administrative obligations	**$**	**51,000**
Total RPTTF authorized for obligations	**$**	**643,878**
ROPS 13-14B prior period adjustment		(5,328)
Total RPTTF approved for distribution	**$**	**638,550**

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 Danielle Brandon, Analyst at (916) 445-1546.

Sincerely,

JUSTYN HOWARD
Acting Program Budget Manager

cc: Ms. Jenni Byers, Acting Community & Economic Development Director, City of Porterville
Ms. Rita A. Woodard, Auditor-Controller, Tulare County
California State Controller's Office