

November 11, 2014

Ms. Hannah Chung, Finance Director
City of Tehachapi
115 South Robinson Street
Tehachapi, CA 93561

Dear Ms. Chung:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Tehachapi Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15B) to the California Department of Finance (Finance) on September 30, 2014 for the period of January 1 through June 30, 2015. Finance has completed its review of your ROPS 14-15B, which may have included obtaining clarification for various items.

Based on a sample of line items reviewed and application of the law, Finance made the following determinations:

- Item No. 10 – Reserves for debt service payments totaling \$340,200. Finance notes that pursuant to HSC section 34183 (a) (2) (A), debt service payments have first priority for payment from distributed RPTTF funding. As such, the \$340,200 requested to be held in reserve along with the amounts required for the current ROPS period should be transferred upon approval and receipt to the bond trustee(s). The amounts approved for debt service payments on this ROPS are restricted for that purpose and are not authorized to be used for other ROPS items. Any requests to fund these debt service items again in the ROPS 15-16A period will be denied unless insufficient RPTTF was received to satisfy the approved annual debt service payments.
- Item No. 12 (Reported as Item No. 7) – Cooperative Agreement in the amount of \$125,000. The Agency is requesting payment for a city loan for a Redevelopment Property Tax Trust Fund (RPTTF) shortfall during ROPS 14-15A. Pursuant to a Cooperation Agreement with the City of Tehachapi (City), the City will advance funds to the Agency for administrative costs for each six-month fiscal period beginning with the January 1 through June 30, 2013 period. Since the amount requested is for an administrative cost shortfall during ROPS 14-15A, the requested \$125,000 has been reclassified to an administrative expense.

In addition, Finance noted the following:

The Agency overwrote the obligation for Item No. 7 and replaced it with a new obligation on this ROPS. Although Item No. 7 has been paid, it should be retired, the item number remains

unavailable to use, as it is assigned to that specific obligation indefinitely. For consistency purposes between ROPS periods, Item No. 7 was restored to the original format listed on the ROPS template and the new obligation was assigned the sequential number, Item No. 12 – Cooperative Agreement between City & Successor Agency.

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 (PPA) self-reported by the Agency. HSC section 34186 (a) also specifies prior period adjustments self-reported by successor agencies are subject to review by the county auditor-controller (CAC) and the State Controller. Proposed CAC adjustments were not received in time for inclusion in this letter. However, Finance increased the Agency’s self-reported amount of \$5,400 by \$320 to account for the ROPS III PPA that was not reported as available RPTTF.

Except for the item denied in whole or in part, Finance is not objecting to the remaining items listed on your ROPS 14-15B. If you disagree with the determination with respect to any items on your ROPS 14-15B, 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 \$1,729,179 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	1,634,899
Total RPTTF requested for administrative obligations	100,000
Total RPTTF requested for obligations on ROPS	\$ 1,734,899
Total RPTTF requested for non-administrative obligations	1,634,899
<u>Reclassified Item</u>	
Item No. 12	(125,000)
Total RPTTF authorized for non-administrative obligations	\$ 1,509,899
Total RPTTF requested for administrative obligations	100,000
<u>Reclassified Item</u>	
Item No. 12	125,000
Total RPTTF authorized for administrative obligations	\$ 225,000
Total RPTTF authorized for obligations	\$ 1,734,899
ROPS 13-14B prior period adjustment	(5,720)
Total RPTTF approved for distribution	\$ 1,729,179

Please refer to the ROPS 14-15B 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 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 Cindie Lor, Supervisor or Veronica Green, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Acting Program Budget Manager

cc: Ms. Daisy Wee, Accounting Officer, City of Tehachapi
Ms. Mary B. Bedard, Auditor-Controller, Kern County
California State Controller's Office