DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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November 10, 2014

Ms. Jenny Haruyama, Administrative Services Director
City of Tracy
333 Civic Center Plaza
Tracy, CA 95376

Dear Ms. Haruyama:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Tracy Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15B) to the California Department of Finance (Finance) on September 26, 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 determination:

> Item No. 7 – Agency administrative costs in the amount of $125,000 is reclassified from Other Funds to Redevelopment Property Tax Trust Fund (RPTTF) funding. It is our understanding the Agency intends to use unencumbered cash balances still owing from the Due Diligence Review (DDR) process for their ROPS 14-15B administrative costs. However, to the extent the Agency doesn't remit DDR moneys owed to the County Auditor-Controller, there is a separate RPTTF withhold process to capture amounts owed.

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 (PPA)) associated with the January through June 2014 period. HSC section 34186 (a) also specifies PPAs 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.

During the review of the Agency's ROPS 13-14B PPA, Finance determined that the net difference between the Agency's authorized and actual administrative expenses was improperly captured in the form. As a result, the ROPS 13-14B PPA was understated by $14,111. Therefore, Finance is increasing the Agency's PPA from $1,100 to $15,211.

Except for the item reclassified, 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 $2,658,782 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		2,548,993
Total RPTTF requested for administrative obligations		0
Total RPTTF requested for obligations on ROPS	**$**	**2,548,993**
RPTTF adjustment to administrative obligations		125,000
Total RPTTF adjustments	**$**	**125,000**
Total RPTTF authorized for non-administrative obligations		2,548,993
Total RPTTF authorized for administrative obligations		125,000
Total RPTTF authorized for obligations	**$**	**2,673,993**
Self-reported ROPS 13-14B PPA		(1,100)
Finance adjustment to ROPS 13-14B PPA		(14,111)
Total ROPS 13-14B PPA		(15,211)
Total RPTTF approved for distribution	**$**	**2,658,782**

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 Wendy Griffe, Supervisor or Medy Lamorena, Lead Analyst at (916) 445-1546.

Sincerely,

JUSTYN HOWARD
Acting Program Budget Manager

cc: Mr. Robert Harmon, Senior Accountant, City of Tracy
Mr. Jay Wilverding, Auditor-Controller, San Joaquin County
California State Controller's Office