DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. ▪ GOVERNOR

915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

November 10, 2014

Ms. Marie Lorenzi, Senior Accountant
City of Turlock
156 South Broadway, Suite 110
Turlock, CA 95380

Dear Ms. Lorenzi:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Turlock 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 determinations:

- Item Nos. 6, 7, 10, 15, 17, and 23 – Public Safety Facility Contracts totaling $617,100 is partially denied. While these agreements are enforceable obligations, the total requested amounts exceeded the obligation cap for each contract, as listed below:

Item No.	Contract Payee	Contract Award	Prior Period ROPS Expenditures	Remaining Contract Amount	ROPS 14-15B Request	Denied Amount
6 & 7	Diede Construction	$2,403,000	$3,509,824	$0	$10,000	$10,000
10	Modern Building	$1,396,000	$1,100,718	$295,282	$313,150	$17,868
15	Tarlton & Son	$2,497,747	$2,246,655	$251,092	$251,750	$658
17	LVI Facility	$170,410	$158,119	$12,291	$17,300	$5,009
23	Cen-Cal Fire	$243,490	$218,763	$24,727	$24,900	$173
				Total	$617,100	$33,708

- Item No. 40 – Avena Bella Phase II Disposition and Development Agreement (DDA) in the amount of $3,900,000 is partially denied. It is our understanding the DDA dated March 8, 2011 between the Agency and EAH, Inc. (Developer), states the Agency is

obligated to loan $4,000,000 to the Developer. While this agreement is an enforceable obligation, the total outstanding obligation amount reported on the ROPS exceeds the amount allowed in the DDA. On the previous ROPS, the Agency was approved and received a total of $500,000, leaving the remaining balance at $3,500,000. The Agency has requested $3,900,000 for this obligation. Therefore, $400,000 of RPTTF 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, 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 $7,447,690 as summarized in the Approved RPTTF Distribution Table on the next page:

Approved RPTTF Distribution For the period of January through June 2015		
Total RPTTF requested for non-administrative obligations		7,756,398
Total RPTTF requested for administrative obligations		125,000
Total RPTTF requested for obligations on ROPS	**$**	**7,881,398**
Total RPTTF requested for non-administrative obligations		**7,756,398**
Denied Items		
Item No. 6		(5,000)
Item No. 7		(5,000)
Item No. 10		(17,868)
Item No. 15		(658)
Item No. 17		(5,009)
Item No. 23		(173)
Item No. 40		(400,000)
		(433,708)
Total RPTTF authorized for non-administrative obligations	**$**	**7,322,690**
Total RPTTF requested for administrative obligations		**125,000**
Total RPTTF authorized for administrative obligations	**$**	**125,000**
Total RPTTF authorized for obligations	**$**	**7,447,690**
ROPS 13-14B prior period adjustment		0
Total RPTTF approved for distribution	**$**	**7,447,690**

Pursuant to HSC section 34177 (l) (1) (E), agencies are required to use all available funding sources prior to RPTTF for payment of enforceable obligations. During the ROPS 14-15B review, Finance requested financial records to support the cash balances reported by the Agency; however, the Agency was unable to support the amounts reported. The expended amounts listed could not be verified as they were not approved on previous ROPS. It is unclear whether these funds should be reclassified. As a result, Finance will continue to work with the Agency after the ROPS 14-15B review period to properly identify the Agency's cash balances. If it is determined the Agency possesses cash balances that are available to pay approved obligations, the Agency should request the use of these cash balances prior to requesting RPTTF in ROPS 15-16A.

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 Jenny DeAngelis, Lead Analyst at (916) 445-1546.

Sincerely,

JUSTYN HOWARD
Acting Program Budget Manager

cc: Ms. Kellie Weaver, City Clerk, City of Turlock
Ms. Lauren Klein, Auditor-Controller, Stanislaus County
California State Controller's Office