DEPARTMENT OF FINANCE

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December 17, 2014

Mr. Eric Frost, Administrative Services Director
City of Visalia
707 West Acequia Avenue
Visalia, CA 93291

Dear Mr. Frost:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated November 17, 2014. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Visalia Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15B) to Finance on October 3, 2014, for the period of January through June 2015. Finance issued a ROPS determination letter on November 17, 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 1, 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.

During our original review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should be used prior to requesting Redevelopment Property Tax Trust Fund (RPTTF) pursuant to HSC section 34177 (l) (1) (E). As a result, Finance previously reclassified the Agency's ROPS 14-15B request of RPTTF to Reserve Balances. During the meet and confer the Agency claimed these funds were to be transferred to the Low and Moderate Income Housing Fund (LMIHF) pursuant to direction provided in the Other Funds and Accounts (OFA) and LMIHF Due Diligence Reviews (DDR). However, due to an oversight, the funds were not transferred from the OFA to the LMIHF thus creating the appearance of unencumbered Reserve Balances. We note that the Agency provided accounting records to support their position; however, additional review of those records are needed. Therefore, Finance will not reclassify ROSP 14-15B items to Reserve Balances at this time pending additional review on future ROPS and Cash Balance reports. To the extent Finance determines that the Reserve Balances exist, items may be reclassified on future ROPS.

Therefore, Finance no longer makes the reclassifications in the amounts indicated below:

- Item No. 2 – 2003 Tax Allocation Bond Interest. Finance no longer reclassifies $55,300 to Reserve Funds.

- Item Nos. 8 and 9 – 2004 West America Bank Loan-Principal and Interest. Finance no longer reclassifies $90,600 to Reserve Funds.

- Item Nos. 7, 15, 19, 27 – Agency Administration. Finance no longer reclassifies $125,000 to Reserve Funds.

In addition, per Finance's letter dated November 17, 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.

The amount of RPTTF approved in the table below includes excess prior period adjustment (PPA) of $99,079. The current approved RPTTF is insufficient to allow for the prior period adjustments of $99,079 during this ROPS period. The Agency should apply the remaining funds prior to requesting RPTTF on future ROPS.

Except for the items 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 $171,821 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		145,900
Total RPTTF requested for administrative obligations		125,000
Total RPTTF requested for obligations on ROPS	**$**	**270,900**
Total RPTTF authorized for non-administrative obligations		145,900
Total RPTTF authorized for administrative obligations		125,000
Total RPTTF authorized for obligations	**$**	**270,900**
Self-reported ROPS 13-14B prior period adjustment (PPA)		(99,079)
Total RPTTF approved for distribution	**$**	**171,821**

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. Ruth Pena, Financial Analyst, City of Visalia
Ms. Rita A. Woodard, Auditor-Controller, Tulare County
California State Controller's Office