



May 15, 2015

Mr. David Spilman, Special Consultant To Successor Agency  
City of Clearlake  
14050 Olympic Drive  
Clearlake, CA 95422

Dear Mr. Spilman:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 9, 2015. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Clearlake Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 15-16A) to Finance on February 26, 2015, for the period of July through December 2015. Finance issued a ROPS determination letter on April 9, 2015. Subsequently, the Agency requested a Meet and Confer session on one or more of the determinations made by Finance. The Meet and Confer session was held on April 27, 2015.

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 determinations being disputed.

- Item No. 31 - Bond Reserve in the amount of \$100,000. Finance no longer denies this item. Finance initially denied this item because the request to fund payments for the first half of the calendar year is not allowed pursuant to HSC section 34171 (d) (1) (A), which allows successor agencies to hold a reserve for debt service payments when the next property tax allocation will be insufficient to pay all obligations due under the provisions of the bond for the next payment due in the following half of the calendar year.

During the Meet and Confer process, the Agency contended that Article III, Section 3.01 of the Loan Agreements states that all revenues received for the Bond Year indebtedness are to be deposited in a special fund of the agency. Upon further review of the Bond Indentures and Loan Agreements, Section 3.02 also states that the Agency shall deposit all of the tax revenues received in any bond year upon receipt, until the amounts on deposit equal the aggregate amounts required to be transferred to the trustee. HSC section 34171 (d) (1) (A) also allows a reserve to be held when required by the bond indenture. Therefore, this item eligible for funding on this ROPS.

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 additional funds requested to be held in reserve should be transferred upon receipt to the bond

trustee(s) along with the amounts approved for the other ROPS 15-16A debt service payments prior to making any other payments on approved ROPS items. Any requests to fund these reserves again in the ROPS 15-16B period will be denied unless insufficient RPTTF is received to satisfy both the debt service payments due during the ROPS 15-16A period and the reserve amounts requested in ROPS 15-16A for the ROPS 15-16B debt service payments.

In addition, per Finance's letter dated April 9, 2015, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

During our 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), RPTTF may be used as a funding source, but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation. The Agency provided financial records that displayed \$1,188 of unrestricted cash available for ROPS 15-16A expenditures.

Therefore, with the Agency's concurrence, the funding source for the following item has been reclassified to Other Funds and in the amount specified below:

- Item No. 1 – Tax Allocation Bonds 2006 in the amount of \$600,819. The Agency requests \$424,818 of RPTTF; however, Finance is reclassifying \$1,188 to Other Funds. This item is an enforceable obligation for the ROPS 15-16A period; however, the Agency has \$1,188 in available Other Funds. Therefore, Finance is approving RPTTF in the amount of \$423,630, Reserve Balances in the amount of \$176,001, and the use of Other Funds in the amount of \$1,188, totaling \$600,819.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 15-16A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 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 item denied in whole and the item that has been reclassified, Finance is not objecting to the remaining items listed on your ROPS 15-16A. The Agency's maximum approved RPTTF distribution for the reporting period is \$685,089 as summarized in the Approved RPTTF Distribution table on the following page:

<b>Approved RPTTF Distribution</b>	
<b>For the period of July through December 2015</b>	
Total RPTTF requested for non-administrative obligations	705,785
Total RPTTF requested for administrative obligations	43,890
<b>Total RPTTF requested for obligations on ROPS</b>	<b>\$ 749,675</b>
<b>Total RPTTF requested for non-administrative obligations</b>	<b>705,785</b>
<u>Cash Balances - Item reclassified to Other Funds</u>	
Item No. 1	(1,188)
<b>Total RPTTF authorized for non-administrative obligations</b>	<b>\$ 704,597</b>
<b>Total RPTTF requested for administrative obligations</b>	<b>43,890</b>
<b>Total RPTTF authorized for administrative obligations</b>	<b>\$ 43,890</b>
<b>Total RPTTF authorized for obligations</b>	<b>\$ 748,487</b>
ROPS 14-15A prior period adjustment	(63,398)
<b>Total RPTTF approved for distribution</b>	<b>\$ 685,089</b>

Please refer to the ROPS 15-16A 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 July 1 through December 31, 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 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.

Mr. David Spilman  
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Please direct inquiries to Evelyn Suess, Dispute Resolution Supervisor, or Mary Halterman, Analyst, at (916) 445-3274.

Sincerely,



JUSTYN HOWARD  
Program Budget Manager

cc: Mr. Chris Becnel, Finance Director, City of Clearlake  
Ms. Cathy Saderlund, Auditor-Controller, Lake County  
California State Controller's Office

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