

May 15, 2015

Ms. Tamara Laken, Finance Director
City of Lindsay
251 East Honolulu
Lindsay, CA 93247

Dear Ms. Laken:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 6, 2015. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Lindsay Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 15-16A) to Finance on February 23, 2015, for the period of July through December 2015. Finance issued a ROPS determination letter on April 6, 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 16, 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. 16 - City and Successor Agency Loan Agreement 8-22-2014 (Loan) in the amount of \$226,136. Finance no longer denies \$68,832 of this item. During the ROPS 14-15B review, the Agency requested and was approved for Redevelopment Property Tax Trust Fund (RPTTF) to repay this Loan in full. Finance initially denied this item because although the RPTTF distributed from the Tulare County Auditor-Controller (CAC) was not sufficient to pay all enforceable obligations listed on ROPS 14-15B, the Agency was not able to support the Loan remains unfunded.

During the Meet and Confer process, the Agency provided additional information to support the amount paid on the Loan Agreement. Based on the accounting records provided, the Agency paid \$340,626 towards the loan, which consisted of \$334,612 in principal and \$6,014 in interest, which left an outstanding principal balance of \$226,136. However, an additional \$157,304 should have also been applied towards the loan as described below. Therefore, the outstanding balance on the loan should be \$68,832 (\$226,136 - \$157,304).

Finance approved \$1,001,818 for the ROPS 14-15B period and the CAC distributed \$789,000 from the RPTTF. Additionally, Finance issued a withhold letter on October 10, 2014, in the amount of \$150,000 because the Agency failed to remit these

funds as part of the Low and Moderate Income Housing Fund Due Diligence Review. Since these funds remained under the control of the Agency, they were available to pay enforceable obligations. As such, the Agency had \$939,000 (\$789,000 + \$150,000) available for the ROPS 14-15B period. The Agency had \$560,748 approved for the loan repayment and \$441,070 approved for all other enforceable obligations. If all other enforceable obligations were paid, then the Agency should have \$497,930 (\$939,000 - \$441,070) available for the loan repayment, which is \$157,304 (\$497,930 - \$340,626) greater than what has been recorded as paid. Therefore, Finance no longer denies \$68,832 (\$226,136 - \$157,304) of this item and the remaining \$157,304 continues to be denied.

If a RPTTF funding shortfall exists, the Agency should request such a shortfall as a separate item number on a subsequent ROPS.

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 CAC and the State Controller. The amount of Redevelopment Property Tax Trust Fund (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 or in part, 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 \$1,131,889 as summarized in the Approved RPTTF Distribution table below:

Approved RPTTF Distribution	
For the period of July through December 2015	
Total RPTTF requested for non-administrative obligations	1,285,793
Total RPTTF requested for administrative obligations	3,400
Total RPTTF requested for obligations on ROPS	\$ 1,289,193
Total RPTTF requested for non-administrative obligations	1,285,793
<u>Denied Item</u>	
Item No. 16	(157,304)
Total RPTTF authorized for non-administrative obligations	\$ 1,128,489
Total RPTTF requested for administrative obligations	3,400
Total RPTTF authorized for administrative obligations	\$ 3,400
Total RPTTF authorized for obligations	\$ 1,131,889
ROPS 14-15A prior period adjustment	0
Total RPTTF approved for distribution	\$ 1,131,889

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.

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

Sincerely,



JUSTYN HOWARD
Program Budget Manager

cc: Ms. Maria Knutson, Administrative Supervisor, City of Lindsay
Ms. Rita A. Woodard, Auditor-Controller, Tulare County
California State Controller's Office