



May 15, 2015

Ms. Darlene Thompson, Finance Director/Treasurer
City of Tulare
411 East Kern Ave
Tulare, CA 93274

Dear Ms. Thompson:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 13, 2015. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Tulare Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 15-16A) to Finance on March 2, 2015, for the period of July through December 2015. Finance issued a ROPS determination letter on April 13, 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.

- 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.

During the Meet and Confer process, the Agency agreed that the calculation is technically correct; however, the Agency contended that the prior period adjustment should not be made because the Agency is reporting a negative cash balance and there are no funds available from prior ROPS periods. To the extent the Agency had insufficient funds in prior ROPS periods, funding for those items should be requested on a subsequent ROPS. Therefore, Finance is not making any adjustments to the prior period adjustment since it is correct as reported.

In addition, per Finance's letter dated April 13, 2015, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

- Item No. 12 - City of Tulare Loan in the amount of \$5,402,757 is not allowed. Pursuant to HSC section 34191.4 (b), loan agreements between the former redevelopment agency and sponsoring entity may be placed on the ROPS if the following requirements are met: (1) The Agency has received a Finding of Completion; and (2) The Agency's oversight board approves the loan as an enforceable obligation by finding the loan was for legitimate redevelopment purposes.

The Agency received a Finding of Completion on June 12, 2013. However, Agency's OB Resolution 14-05 finding the loan entered into by and between the City and the former Redevelopment Agency was for a legitimate redevelopment purpose, was partially approved by Finance. In its letter dated November 7, 2014, Finance noted that due to the pending litigation between the Agency and the California State Controller, it could not approve the total outstanding principal amount of the loan and its eligibility for repayment at that time. Therefore, this line item is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding on this ROPS.

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 \$1,585,658 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	2,098,151
Total RPTTF requested for administrative obligations	100,000
Total RPTTF requested for obligations on ROPS	\$ 2,198,151
Total RPTTF requested for non-administrative obligations	2,098,151
<u>Denied Item</u>	
Item No. 12	(493,006)
Total RPTTF authorized for non-administrative obligations	\$ 1,605,145
Total RPTTF requested for administrative obligations	100,000
Total RPTTF authorized for administrative obligations	\$ 100,000
Total RPTTF authorized for obligations	\$ 1,705,145
ROPS 14-15A prior period adjustment	(119,487)
Total RPTTF approved for distribution	\$ 1,585,658

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. Roxanne Yoder, Chief Deputy City Clerk, City of Tulare
Ms. Rita A. Woodard, Auditor-Controller, Tulare County
California State Controller's Office