DEPARTMENT OF FINANCE
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November 6, 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

Pursuant to Health and Safety Code (HSC) section 34177 (m) (1) (A), the City of Tulare Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule for the period January 1 through June 30, 2016 (ROPS 15-16B) to the California Department of Finance (Finance) on September 25, 2015. Finance has completed its review of the ROPS 15-16B.

Based on a sample of line items reviewed and application of the law, Finance made the following determinations:

- Item No. 16 – Litigation costs in the amount of $50,000 have been reclassified to the administrative cost allowance (ACA); and therefore, claimed administrative costs exceed the allowance by $50,000. Pursuant to HSC section 34171 (d) (1) (F) (i), legal expenses related to civil actions, including writ proceeding, contesting the validity of the dissolution law, or challenging acts taken pursuant to the dissolution law shall only be payable out of the ACA.

  Additionally, HSC section 34171 (b) (2) limits fiscal year 2015-16 administrative expenses to three percent of the RPTTF funds allocated to the Redevelopment Obligation Retirement Fund for the fiscal year or $250,000. The Agency's Prior Period Adjustment was applied to its administrative expenses in the amount of $100,000 for the ROPS 15-16A period, thus leaving a balance of $150,000 available for the January through June 2016 period. Although $150,000 is claimed for ACA, Item No. 16 for litigation cost in the amount of $50,000 is considered general administrative cost and should be counted toward the cap. Therefore, $50,000 of excess administrative cost is not allowed.

- Item No. 18 – Successor Agency Cash Balance Correction in the amount of $1,485,006 is partially allowed. During the review, the Agency requested to further increase the shortfall amount by $338,373. The Agency contends an additional shortfall of $338,373 occurred in the Housing Successor's fund, requiring the City of Tulare (City) to loan funds to pay its CalHFA payment due (Item No. 7) during ROPS III. However, Finance's review of the financial records for the Housing Successor's fund found $338,368

recorded as full payment made for the CalHFA loan payment. Therefore, the Housing Successor's funds were not insufficient. Consequently, Finance is not approving the Agency's request to increase the shortfall amount.

Furthermore, the Agency contended the requested amount of $1,485,006 represents the cumulative total of City loaned funds to pay approved enforceable obligations in past ROPS periods due to the Agency's insufficient cash balances. The Agency submitted Oversight Board (OB) Resolution No. 15-07, approving a loan agreement between the Agency and the City for a loan amount of $1,480,504. Finance reviewed the OB action and loan agreement concurrently with ROPS 15-16B. Based on financial records provided by the Agency, Finance arrived at a total City loan amount of $1,363,908, and not the $1,480,504 noted in the loan agreement. Consequently, Finance approved the City loan under Resolution No. 15-07 for an amount not to exceed $1,363,908. Therefore, of the requested $1,485,006 for this item, $1,363,908 is eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding, and the excess $121,098 is not eligible for RPTTF funding.

Pursuant to HSC section 34186 (a) (1), the Agency was required to report on the ROPS 15-16B form the estimated obligations versus actual payments (prior period adjustment) associated with the January through June 2015 period (ROPS 14-15B). HSC section 34186 (a) (1) also specifies the prior period adjustment self-reported by the Agency is subject to review by the county auditor-controller (CAC). 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 Agency's self-reported prior period adjustment.

Except for the items denied in part or that has been reclassified, Finance is not objecting to the remaining items listed on your ROPS 15-16B. If you disagree with Finance's determination with respect to any items on your ROPS 15-16B, except for those items which are the subject of litigation disputing Finance's previous or related determinations, 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 $2,456,151 as summarized in the Approved RPTTF Distribution table below:

Approved RPTTF Distribution For the period of January through June 2016		
Total RPTTF requested for non-administrative obligations		2,479,745
Total RPTTF requested for administrative obligations		150,000
Total RPTTF requested for obligations on ROPS 15-16B	**$**	**2,629,745**
Total RPTTF requested for non-administrative obligations		**2,479,745**
Denied Item		
Item No. 70		(121,098)
Reclassified Item		
Item No. 16		(50,000)
Total RPTTF authorized for non-administrative obligations	**$**	**2,308,647**
Total RPTTF requested for administrative obligations		**150,000**
Reclassified Item		
Item No. 16		50,000
Administrative costs in excess of the cap (see Admin Cost Cap table below)		(50,000)
Total RPTTF authorized for administrative obligations	**$**	**150,000**
Total RPTTF authorized for obligations	**$**	**2,458,647**
ROPS 14-15B prior period adjustment		(2,496)
Total RPTTF approved for distribution	**$**	**2,456,151**

Administrative Cost Cap Calculation		
Total RPTTF for 15-16A (July through December 2015)		1,605,145
Total RPTTF for 15-16B (January through June 2016)		2,308,647
Total RPTTF for fiscal year 2015-2016		**3,913,792**
Administrative cost cap for fiscal year 2015-16 (Greater of 3% of Total RPTTF or $250,000)		250,000
Administrative allowance for ROPS 15-16A (July through December 2015)		(100,000)
Remaining administrative cost cap for ROPS 15-16B		**150,000**
ROPS 15-16B administrative obligations after Finance adjustments		(200,000)
Administrative costs in excess of the cap	**$**	**(50,000)**

On the ROPS 15-16B form, the Agency reported cash balances and activity for the period January 1 through December 31, 2015. Finance will perform a review of the Agency's self-reported cash balances on an ongoing basis. Please be prepared to submit financial records and bridging documents to support the cash balances reported upon request. If it is determined the Agency possesses cash balances that are available to pay approved obligations, HSC section 34177 (l) (1) (E) requires these balances be used prior to requesting RPTTF.

Please refer to the ROPS 15-16B schedule used to calculate the total RPTTF approved for distribution:

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, 2016. This determination only applies to items when 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 ROPS periods. All items listed on a future ROPS are subject to review and may be denied even if it was not denied on this ROPS or a preceding ROPS. The only exception is for items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). Finance's review of Final and Conclusive items 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 available prior to the enactment of the redevelopment dissolution statutes. 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.

Please direct inquiries to Cindie Lor, Supervisor, or Todd Vermillion, Lead Analyst at (916) 445-1546.

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