



December 18, 2012

Mr. Zane Johnston, Finance Director  
City of Tracy  
333 Civic Center Place  
Tracy, CA 95376

Dear Mr. Johnston:

Subject: Recognized Obligation Payment Schedule

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated October 19, 2012. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Tracy Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on September 4, 2012 for the period of January 1 through June 30, 2013. Finance issued its determination related to those enforceable obligations on October 19, 2012. 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 November 27, 2012.

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 item being disputed.

- Item No. 5 – Agency's Share of Payment Towards 2008 Lease Revenue Bonds. Finance will not object to this Item at this time. We note that no funding has been requested for this upcoming ROPS period. However, Finance will be re-reviewing the Agency's fiscal obligation under the debt issuance. This is due to the fact, that at this time Finance is unable to discern what appropriate share/obligation of the costs is born by the Agency.

In addition, per Finance's determination letter dated October 19, 2012, the following item is not being disputed by the Agency and continues to be denied:

- Item No. 6 – Tax administration in the amount of \$195,000. HSC section 34182 (e) allows the county auditor-controller to deduct from the Redevelopment Property Tax Trust Fund for its administration costs prior to making a distribution. Therefore, this is not an enforceable obligation and not eligible for funding.

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is: \$2,615,806 as summarized below:

<b>Approved RPTTF Distribution Amount For the period of January through June 2013</b>	
Total RPTTF funding requested for obligations	\$ 2,685,806
Less: Six-month total for item(s) denied or reclassified as administrative cost	
Item 6	195,000
Total approved RPTTF for enforceable obligations	\$ 2,490,806
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	125,000
<b>Total RPTTF approved:</b>	<b>\$ 2,615,806</b>

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS III form the estimated obligations and actual payments associated with the January through June 2012 period. The amount of RPTTF approved in the above table will be adjusted by the county auditor-controller to account for differences between actual payments and past estimated obligations. Additionally, these estimates and accounts are subject to audit by the county auditor-controller and the State Controller.

The amount available from the RPTTF is the same as the property tax increment that was available prior to 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 successor agency in the RPTTF.

Except for items disallowed as noted above, Finance is not objecting to the remaining items listed in your ROPS III. Obligations deemed not to be enforceable shall be removed from your ROPS. This is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2013. 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 questioned on this ROPS or a preceding ROPS.

Please direct inquiries to Evelyn Suess, Dispute Resolution Supervisor, or Danielle Brandon, Analyst, at (916) 445-1546.

Sincerely,



STEVE SZALAY  
Local Government Consultant

cc: Mr. Robert Harmon, Senior Accountant, City of Tracy  
Ms. Sandra Chan, Chief Deputy Auditor-Controller, County of San Joaquin  
California State Controller's Office