



April 10, 2014

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

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Clearlake Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15A) to the California Department of Finance (Finance) on February 27, 2014 for the period of July through December 2014. Finance has completed its review of your ROPS 14-15A, which may have included obtaining clarification for various items.

Based on our review, we are approving all of the items listed on your ROPS 14-15A at this time; however, we have noted the following discrepancies:

Item No. 28 – City of Clearlake (City) Loan Repayment in the amount of \$103,933. Our review disclosed that the Agency has reported a total outstanding obligation of \$104,326 on ROPS 14-15A for this item; however, according to Exhibit A of the Amended Loan Agreement approved by Oversight Board Resolution OB-2014-01, the Agency contends that the total principal amount as of June 30, 2013 is \$1,771,950. The total outstanding balance for the City Loan Repayment in the amount of \$104,326 is understated.

Pursuant to HSC section 34191.4 (b) (2), the recalculation of the accumulated interest from loan origination is not to exceed the interest rate earned by funds deposited in the Local Agency Investment Fund (LAIF). The total outstanding balance reported by the Agency on Exhibit A of the Amended Loan Agreement includes miscalculated interest. The Agency applied more than one LAIF rate during the life of the loan. The accumulated interest on the loan should be recalculated using the LAIF interest rate at the time when the Agency's Oversight Board makes a finding the loan was for legitimate redevelopment purposes.

In addition, the accumulated interest on the loan should be recalculated from the date of loan origination using the quarterly LAIF interest rate. However, it was noted that the Agency has used September 30, 2013 as the beginning date instead of from the loan origination date of June 28, 2007 as displayed on Exhibit B of the Amended Loan Agreement.

Since the amount requested for ROPS 14-15A does not exceed the repayment formula outlined in HSC section 34191.4 (b) (2) (A), Finance is approving the amount requested. However, the approved amount of \$103,933 should only be applied to the repayment of principal for this item and reflect the reduction to the loan's total outstanding balance in subsequent ROPS submittals.

Furthermore, the Agency should recalculate the accumulated interest on the loan from the date of loan origination using the quarterly LAIF interest rate at the time when the Agency's OB makes a finding that the City loan was for legitimate redevelopment purposes. This will supersede any existing interest rates in the loan agreement.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 14-15A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2013 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 Redevelopment Property Tax Trust Fund (RPTTF) approved in the table below includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

The Agency's maximum approved RPTTF distribution for the reporting period is \$687,449 as summarized below:

Approved RPTTF Distribution	
For the period of July through December 2014	
Total RPTTF requested for non-administrative obligations	720,011
Total RPTTF requested for administrative obligations	76,164
Total RPTTF requested for obligations	\$ 796,175
Total RPTTF authorized for non-administrative obligations	720,011
Total RPTTF authorized for administrative obligations	76,164
Total RPTTF authorized for obligations	\$ 796,175
ROPS 13-14A prior period adjustment	(108,726)
Total RPTTF approved for distribution	\$ 687,449

Pursuant to HSC section 34177 (l) (1) (E), agencies are required to use all available funding sources prior to RPTTF for payment of enforceable obligations. During the ROPS 14-15A review, Finance requested financial records to support the cash balances reported by the Agency; however, Finance was unable to reconcile the financial records to the amounts reported. As a result, Finance will continue to work with the Agency after the ROPS 14-15A review period to properly identify the Agency's cash balances. If it is determined the Agency possesses cash balances that are available to pay approved obligations, the Agency should request the use of these cash balances prior to requesting RPTTF in ROPS 14-15B.

Please refer to the ROPS 14-15A 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, 2014. This determination only applies to items

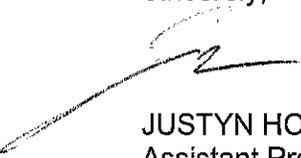
where funding was requested for the six-month period. Finance's determination is effective for this time period only and should not be conclusively relied upon for future periods. All items listed on a future ROPS are subject to a subsequent review and may be denied even if it was or was not denied on 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 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.

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 Wendy Griffe, Supervisor or Medy Lamorena, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Assistant Program Budget Manager

cc: Mr. Bruce Budman, Finance Consultant To City of Clearlake, City of Clearlake
Ms. Cathy Saderlund, Auditor-Controller, Lake County
California State Controller's Office