DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR
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May 16, 2014

Ms. Maria Bemis, Finance Director
City of Porterville
291 North Main Street
Porterville, CA 93257

Dear Ms. Bemis:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 9, 2014. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Porterville Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15A) to Finance on February 27, 2014, for the period of July through December 2014. Finance issued a ROPS determination letter on April 9, 2014. 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 April 24, 2014.

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, as further discussed below:

- Item No. 17 – Loan for Reimbursement of Costs in the amount of $93,912. Finance continues to deny this item. Finance denied the Agency's Oversight Board Resolution No. 2014-01 approving the loan agreement for the ROPS 13-14A deficit amount. The Agency received $236,271 of Redevelopment Property Tax Trust Fund (RPTTF) distribution for ROPS 13-14A which is equal to the amount approved by Finance on April 13, 2013. During the meet and confer, the Agency explained that the actual shortage of funds occurred over several prior periods. Pursuant to HSC section 34173 (h), the city that created the former redevelopment agency may loan or grant funds to the Agency for administrative costs, enforceable obligations, or project related expenses, but the receipt and use of these funds shall be reflected on the ROPS. However, our review of the previous periods indicates that while the Agency did not receive all the approved RPTTF in prior periods, it did not report on the prior period adjustment reports that amounts in excess of the distribution were expended for approved enforceable obligations; therefore, the Agency has not demonstrated it experienced a shortfall in RPTTF funding that necessitated the loan. As such, this item is not an enforceable obligation and not eligible for RPTTF.

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 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.

Except for the item denied in whole or in part as an enforceable obligation, Finance is not objecting to the remaining items listed on your ROPS 14-15A. The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is $273,267 as summarized below:

Approved RPTTF Distribution For the period of July through December 2014		
Total RPTTF requested for non-administrative obligations		345,667
Total RPTTF requested for administrative obligations		51,000
Total RPTTF requested for obligations	**$**	**396,667**
Total RPTTF requested for non-administrative obligations		**345,667**
Denied Item		
Item No. 17		(79,714)
Total RPTTF authorized for non-administrative obligations	**$**	**265,953**
Total RPTTF authorized for administrative obligations	**$**	**51,000**
Total RPTTF authorized for obligations	**$**	**316,953**
ROPS 13-14A prior period adjustment		(43,686)
Total RPTTF approved for distribution	**$**	**273,267**

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

Sincerely,

JUSTYN HOWARD
Assistant Program Budget Manager

cc: Ms. Jenni Byers, Project Manager, City of Porterville
Ms. Rita A Woodard, Auditor-Controller, Tulare County
California State Controller's Office