



April 14, 2014

Ms. Marie Lorenzi, Senior Accountant  
City of Turlock  
156 South Broadway, Suite 110  
Turlock, CA 95380

Dear Ms. Lorenzi:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Turlock Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15A) to the California Department of Finance (Finance) on February 28, 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.

HSC section 34171 (d) defines enforceable obligations. Based on a sample of line items reviewed and application of the law, the following do not qualify as enforceable obligations for the reasons specified:

- Item Nos. 1 through 3 – Reserve Debt Service totaling \$1,156,648 requesting the use of Redevelopment Property Tax Trust Funds (RPTTF). Although enforceable, the Agency may only request reserves pursuant to HSC section 34171 (d) (1) (A); which states, that reserves may be requested if required by the bond indenture or when the next property tax allocation will be insufficient to pay all obligations due under the provisions of the bond for the next payment due in the *following half* of the calendar year. Currently the Agency does not meet the requirements to request for reserves at this time as the funding requested is for the *first half* of the calendar year. Therefore, these items are not eligible for RPTTF funding.

Finance notes the Agency requested RPTTF for the ROPS 14-15A debt service payment in the prior ROPS period. Therefore, Finance will adjust and allow the use of Reserve Balances for Item Nos. 1, 2, and 3 in the amounts of \$259,149, \$998,633, and \$794,572, respectively.

- Item Nos. 6 through 23 – Public Safety Facility Contracts totaling \$1,721,350. Insufficient documentation was provided to support the amounts claimed. The Agency provided contracts for these items which expired in April 2013. The contracts are specific to state extensions of time are required to be submitted 20 days prior to the expiration date. It is not evident that extensions were achieved in accordance with the original contracts. Therefore, these items are not enforceable obligations and are not eligible for funding.

HSC section 34177 (a) (3) states that only those payments listed in the ROPS may be made by the Agency, from the funds specified in the ROPS. Although the HSC does not permit the Agency to make payments that exceed the amounts authorized by Finance, we note that the Agency's expenditures have inappropriately exceeded the Finance authorization for Reserve Balances. Therefore, Finance is increasing the Agency's authorization for the ROPS 14-15A period to ensure that authorization is consistent with expenditures for the following approved enforceable obligations:

- Item No. 1 – 1999 Tax Increment Bonds in the amount of \$183,046
- Item No. 2 – 2006 Tax Increment Bonds in the amount of \$429,840

This increase should not result in an increase in expenditures, as the increased authority merely allows the Agency to reconcile actual expenditures to their spending authority.

During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should be used prior to requesting RPTTF. Pursuant to HSC section 34177 (l) (1) (E), RPTTF may be used as a funding source, but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation. The Agency provided financial records that displayed available Other Funds in the amount of \$517,407.

Therefore, the funding source for the following items have been reclassified to Other Funds and in the amount specified below:

- Item No. 40 – Avena Bella Disposition and Development Agreement in the amount of \$400,000. The Agency requests \$400,000 of RPTTF; however, Finance is reclassifying \$400,000 to Other Funds. This item is an enforceable obligation for the ROPS 14-15A period. However, the obligation does not require payment from property tax revenues and the Agency has \$517,407 available in Other Funds. Therefore, Finance is approving the use of Other Funds in the amount of \$400,000.
- Item No. 41 – Economic Development Project Funding Agreement in the amount of \$127,045. The Agency requests \$127,045 of RPTTF; however, Finance is reclassifying \$117,407 to Other Funds. This item is an enforceable obligation for the ROPS 14-15A period. However, the obligation does not require payment from property tax revenues and the Agency has \$117,407 (\$517,407 - \$400,000) available in Other Funds. Therefore, Finance is approving RPTTF in the amount of \$9,638 and the use of Other Funds in the amount of \$117,407, totaling \$127,045.

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. The amount of RPTTF approved in the table below includes the prior period adjustment self-reported by the Agency. 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. Any proposed CAC adjustments were not received in time for inclusion in this letter. Therefore, the amount of RPTTF approved in the table below only includes the prior period adjustment self-reported by the Agency.

Except for items denied in whole or in part as enforceable obligations or for items that have been reclassified, Finance is not objecting to the remaining items listed on your ROPS 14-15A. If you disagree with the determination with respect to any items on your ROPS 14-15A, 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/](http://www.dof.ca.gov/redevelopment/meet_and_confer/)

The Agency's maximum approved RPTTF distribution for the reporting period is \$187,638 as summarized below:

<b>Approved RPTTF Distribution</b>	
<b>For the period of July through December 2014</b>	
Total RPTTF requested for non-administrative obligations	3,468,043
Total RPTTF requested for administrative obligations	115,000
<b>Total RPTTF requested for obligations</b>	<b>\$ 3,583,043</b>
<b>Total RPTTF requested for non-administrative obligations</b>	<b>3,468,043</b>
<u>Denied Items</u>	
Item No. 1	(69,293)
Item No. 2	(558,308)
Item No. 3	(529,047)
Item No. 6	(5,000)
Item No. 7	(5,000)
Item No. 9	(145,250)
Item No. 10	(313,150)
Item No. 11	(26,500)
Item No. 12	(68,050)
Item No. 13	(4,700)
Item No. 15	(251,750)
Item No. 16	(61,150)
Item No. 17	(17,300)
Item No. 18	(29,800)
Item No. 19	(251,200)
Item No. 20	(425,900)
Item No. 21	(91,700)
Item No. 23	(24,900)
	(2,877,998)
<b>Total RPTTF for non-administrative obligations</b>	<b>590,045</b>
<u>Cash Balances - Item reclassified to Other Funds</u>	
Item No. 40	(400,000)
Item No. 41	(117,407)
	(517,407)
<b>Total RPTTF authorized for non-administrative obligations</b>	<b>\$ 72,638</b>
<b>Total RPTTF requested for administrative obligations</b>	<b>115,000</b>
<b>Total RPTTF authorized for administrative obligations</b>	<b>\$ 115,000</b>
<b>Total RPTTF authorized for obligations</b>	<b>\$ 187,638</b>
ROPS 13-14A prior period adjustment	0
<b>Total RPTTF approved for distribution</b>	<b>\$ 187,638</b>

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>

Absent a Meet and Confer, 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 Jenny DeAngelis, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD  
Assistant Program Budget Manager

cc: Ms. Kellie Weaver, City Clerk, City of Turlock  
Ms. Lauren Klein, Auditor-Controller, Stanislaus County  
California State Controller's Office