DEPARTMENT OF FINANCE

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March 30, 2012 re-issued

Sandra Sato, Finance Director
City of Clearlake Successor Agency
14050 Olympic Dr
Clearlake, CA 95422

Dear Ms. Sato:

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the City of Clearlake Successor Agency submitted a Recognized Obligation Payment Schedule (ROPS) to the California Department of Finance (Finance) on March 19, 2012. Finance staff recently contacted you for further clarification of items listed in the ROPS.

HSC section 34171 (d) lists enforceable obligation characteristics. Based on our application of the law, we do not believe the following items qualify as Enforceable Obligations (EO):

> Items 3 and 4 on page 1: The debt service and repayment of advances (loans) from the city totaling $2.4 million is not an EO. HSC section 34171 (d) (2) states that agreements, contracts or arrangements between the entity that created the redevelopment agency (RDA) and the former RDA are only enforceable if made within the first two years of the RDA's existence. The loan between the City and the RDA was made subsequent to the first two-year period. Therefore, the loan is not an EO and should not be listed on the ROPS.

As authorized by HSC section 34179 (h), Finance is returning your ROPS for reconsideration. This action will cause the specific ROPS items noted above to be ineffective until Finance approval.

If you believe we have reached this conclusion in error, please provide further evidence that the items questioned above meet the definition of an EO.

Please direct any inquiries to Robert Scott, Supervisor, or Mindy Patterson, Lead Analyst, at (916) 322-2985.

Sincerely,

for Mark Hill

MARK HILL
Program Budget Manager

cc: Cathy Saderlund, County Clerk/Auditor-Controller, Lake County Auditor-Controller
Elizabeth Martinez, Accountant – Property Tax, Lake County Auditor-Controller