

May 17, 2018

Ms. Maggie Moreno, Administrative Services Director
City of Dinuba
405 East El Monte Way
Dinuba, CA 93618

Dear Ms. Moreno:

Subject: 2018-19 Annual Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated March 19, 2018. Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Dinuba Successor Agency (Agency) submitted an annual ROPS for the period of July 1, 2018 through June 30, 2019 (ROPS 18-19) to Finance on January 26, 2018. The Agency requested a Meet and Confer on one or more of the determinations made by Finance. The Meet and Confer was held on April 3, 2018.

Based on a review of additional information and documentation provided to Finance during the Meet and Confer, Finance has completed its review of the specific determinations being disputed.

- Item Nos. 18 and 30 – Transportation Construction and Low and Moderate Income Housing Fund (LMIHF) loans for the Supplemental Educational Revenue Augmentation Fund (SERAF) payment, outstanding obligation amounts totaling \$830,576. Finance continues to deny these items. Finance initially denied these items because Oversight Board Resolution Nos. 2017-02 and 2018-01, respectively, approving the reinstatement of SERAF loans between the Agency and the City of Dinuba (City), were denied in our determination letters dated January 23, 2018 and March 7, 2018, respectively. Further, the Agency was unable to provide documentation to support an exchange of moneys between the City and the former Redevelopment Agency (RDA), and between the LMIHF and the Administration Fund of the RDA.

During the Meet and Confer, the Agency contended the RDA borrowed \$300,000 from its LMIHF and \$530,576 from the Transportation Construction Fund to make its SERAF payment to the Tulare County Auditor-Controller (CAC). The Agency further contended the borrowing was necessary because the RDA had insufficient funds in its Administration Fund to make the remittance required by the CAC, and such borrowings were permitted by law.

The Agency provided RDA Resolution No. 2011-02, City Council Resolution 2011-06, various promissory notes, an Agreement dated July 1, 2010 between the RDA and the City, an Account Activity Listing, an Encumbrance Inquiry report, an Account Payable Transaction report, and a Bank Statement to support the SERAF loans. However, these documents are insufficient to support the SERAF loans listed on the Agency's ROPS for the reasons listed below:

- *RDA Resolution 2011-02 and City Council Resolution 2011-06:* These Resolutions, both adopted on January 18, 2010, were for the RDA to pledge, in favor of the City, redevelopment tax increment to guarantee the payment of certain “existing contractual obligations” of the RDA to the City. None of the Resolutions referenced or discussed insufficiency of funds in the RDA’s Administration Fund or the loan of moneys to the RDA in order to make the SERAF payment to the CAC.
- *Various Executed Promissory Notes:* Our review of the Transportation Construction, General Fund, Transportation SDC Note, and the RDA Debt Service, RDA Administration, RDA Capital Projects Note, both dated July 1, 2010, totaling \$3,472,115 (\$1,830,152 + \$1,641,963), and secured by tax increment, shows no relationship between the promissory notes and the SERAF under review.
- *Agreement dated July 1, 2010:* This Agreement required the RDA to provide a guarantee for the purchase of land contracts by the City and makes no reference to a loan of moneys to the RDA for the purposes of making the SERAF payment to the CAC.
- *Account Activity Listing, Encumbrance Inquiry Report, Account Payable Transaction Report, and Bank Statement:* These documents demonstrate there was a transaction in the amount of \$1,580,576. However, none of the documents demonstrate the receipt of funds from the Transportation Construction Fund into the LMIHF, or from the LMIHF to the RDA Administration Fund, to make the SERAF payment.

Pursuant to HSC section 34171 (d) (1) (G), enforceable obligations include amounts borrowed from, or payments owing to, the LMIHF, which had been deferred, provided, however, the repayment schedule is approved by the Oversight Board (OB). Further, HSC section 34191.4 (b) (2) (A), defines loan agreements as loans of money entered into between the RDA and the City in which the City transferred money to the RDA for use by the RDA for a lawful purpose.

The Agency received a Finding of Completion on July 29, 2015; therefore, pursuant to HSC section 34191.4, the Agency may now request repayment of loans owed to the LMIHF and to the City for the SERAF payment to the CAC.

The Agency is unable to provide evidence to support the transfer of cash from the Transportation Construction Fund to the LMIHF or other evidence of general ledger transaction history to demonstrate the receipt of funds into the RDA Administration Fund. Additionally, the Agency was unable to provide loan agreements between the former RDA and the City specifically for the loan of funds for the SERAF payment to the CAC. Therefore, these items are not enforceable obligations and the requested funding of \$696,099 (\$396,099 + \$300,000) of Redevelopment Property Tax Trust Fund (RPTTF) funding is not allowed.

In addition, per Finance's letter dated March 19, 2018, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

- Item No. 28 – 2015 Tax Allocation Refunding Bonds in the amount of \$1,038,957. The Agency requested the incorrect amount. According to the debt service schedule provided by the Agency, the amount requested of \$268,266 for the January 1, 2019 through June 30, 2019 (ROPS 18-19B) period was listed incorrectly and should be \$268,791. Therefore, Finance made an adjustment of \$525 to increase the requested RPTTF to accurately reflect the correct debt service payment, totaling \$268,791.
- The administrative costs claimed are within the fiscal year administrative cap pursuant to HSC section 34171 (b) (3). However, Finance notes the OB has approved an amount that appears excessive, given the number and nature of the obligations listed on the ROPS. HSC section 34179 (i) requires the OB to exercise a fiduciary duty to the taxing entities. Therefore, Finance encourages the OB to apply adequate oversight when evaluating the administrative resources necessary to successfully wind-down the Agency.
- On the ROPS 18-19 form, the Agency reported cash balances and activity for the period July 1, 2015 through June 30, 2016 (ROPS 15-16). According to our review, the Agency has approximately \$44,929 in Other Funds available to fund enforceable obligations on the ROPS 18-19. HSC section 34177 (l) (1) (E) requires these balances to be used prior to requesting RPTTF. Therefore, the funding source for the following item has been reclassified in the amount specified below:
 - Item No. 27 – 2014 Tax Allocation Refunding Bond in the amount of \$302,000. This item does not require payment from property tax revenues. Therefore, Finance is approving RPTTF in the amount of \$257,071 and the use of Other Funds funding in the amount of \$44,929, totaling \$302,000.

The Agency's maximum approved RPTTF distribution for the reporting period is \$3,745,636 as summarized in the Approved RPTTF Distribution table on Page 5 (see Attachment).

RPTTF distributions occur biannually, one distribution for the July 1, 2018 through December 31, 2018 period (ROPS A period) and one distribution for the January 1, 2019 through June 30, 2019 period (ROPS B period) based on Finance approved amounts. Since this determination is for the entire ROPS 18-19 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

Pursuant to HSC section 34186 (c), beginning October 1, 2018, the Agency will be required to report the estimated obligations versus actual payments (prior period adjustment) associated with the July 1, 2016 through June 30, 2017 period (ROPS 16-17) to the CAC for review. The Agency will report actual payments for ROPS 16-17 on ROPS 19-20. A prior period adjustment may be applied to the Agency's ROPS 19-20 RPTTF distribution. Therefore, the Agency should retain any unexpended RPTTF from the ROPS 16-17 period.

This is our final determination regarding the obligations listed on the ROPS 18-19. This determination only applies to items when funding was requested for the 12-month period. If a denial by Finance in a previous ROPS is currently the subject of litigation, the item will continue to be deemed denied until the matter is resolved.

The ROPS 18-19 form submitted by the Agency and this determination letter will be posted on our website:

<http://dof.ca.gov/Programs/Redevelopment/ROPS/>

This determination is effective for the ROPS 18-19 period only and should not be conclusively relied upon for future ROPS periods. All items listed on a future ROPS are subject to review and may be denied even if not denied on this ROPS or a preceding ROPS. The only exception is for items that have received a Final and Conclusive determination pursuant to HSC section 34177.5 (i). Finance review of Final and Conclusive items 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 available prior to the enactment of redevelopment dissolution law. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax increment is limited to the amount of funding available to the Agency in the RPTTF.

Please direct inquiries to Nichelle Jackson, Supervisor, or Moses Ofurio, Lead Analyst, at (916) 322-2985.

Sincerely,



ERIKA LI
Program Budget Manager

cc: Ms. Karina Solis, Fiscal Analyst, City of Dinuba
Ms. Rita Woodward, Auditor-Controller, Tulare County

Attachment

Approved RPTTF Distribution For the period of July 2018 through June 2019			
	ROPS A Period	ROPS B Period	ROPS 18-19 Total
RPTTF Requested	\$ 1,406,217	\$ 2,829,922	\$ 4,236,139
Administrative RPTTF Requested	125,000	125,000	250,000
Total RPTTF Requested	1,531,217	2,954,922	4,486,139
RPTTF Requested	1,406,217	2,829,922	4,236,139
<u>Adjustments</u>			
Item No. 18	0	(396,099)	(396,099)
Item No. 27	0	(44,929)	(44,929)
Item No. 28	0	525	525
Item No. 30	(300,000)	0	(300,000)
	(300,000)	(440,503)	(740,503)
RPTTF Authorized	1,106,217	2,389,419	3,495,636
Administrative RPTTF Authorized	125,000	125,000	250,000
Total RPTTF Approved for Distribution	\$ 1,231,217	\$ 2,514,419	\$ 3,745,636