



**DEPARTMENT OF
FINANCE**

EDMUND G. BROWN JR. ■ GOVERNOR

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May 17, 2018

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

Dear Ms. Bemis:

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 April 5, 2018. Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Porterville 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 29, 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 18, 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. 11 through 14 – Loan repayments in the total outstanding amount of \$959,616. Finance initially denied these items because Oversight Board (OB) Resolution No. 2013-04, approving the repayment of certain existing loans to the City of Porterville (City) as enforceable obligations and finding the loans were for legitimate redevelopment purposes, was denied in our determination letter dated November 13, 2014, and the Agency was unable to provide the necessary documentation to support the loans, such as original loan agreements and/or resolutions.

During the Meet and Confer, the Agency contended the City advanced several loans to the former Redevelopment Agency (RDA) and in some instances directly paid RDA debts to third parties due to decreases in tax revenues experienced by the RDA.

Pursuant to HSC section 34191.4 (b), loan agreements between the former RDA and the City may be placed on the ROPS if the following requirements are met: (1) the Agency has received a Finding of Completion and (2) the OB approves the loan as an enforceable obligation by finding the loan was for legitimate redevelopment purposes.

The Agency received a Finding of Completion on August 7, 2013 and the OB approved the loans through OB Resolution No. 2013-04 by making a finding the loans were for legitimate redevelopment purposes. The Agency provided additional documentation to support the four loans listed on the ROPS as discussed below:

- Item No. 11 – Loan for Repayment to County of Tulare (County) in the total outstanding amount of \$84,459. Finance continues to deny this loan. The Agency provided the following documents to support the loan:
 - Loan Agreement between the RDA and the County dated July 1, 1997.
 - February 6, 2007 City Council Minutes, wherein a motion authorizing a loan between the RDA and the City for the repayment of the County loan was adopted.
 - City Council Resolution No. 31-2007, approving a loan between the RDA and the City.
 - RDA Resolution No. PRA 2007-02, approving the RDA 2007-2008 Budget.
 - Screen shots to support payment of funds to the County by the City.

Although the City Council Minutes and City Resolution No. 31-2007 include the relevant terms for a loan agreement, the Agency did not provide an executed loan agreement or an adopted Resolution of the RDA Board that approved or accepted the loan authorized by the City Council with similar terms. Further, although the Agency provided RDA Resolution No. 2007-02, which acknowledged the loan of money by the City to the RDA, the action was for the approval of the 2007-2008 Budget, not the approval or acceptance of a loan from the City. As such, the loan is not an enforceable obligation and the requested amount of \$25,000 is ineligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.

- Item No. 12 – Loan for Parking Lot Improvement - Storm Drain in the total outstanding amount of \$121,844. Finance no longer denies this item. Finance initially denied this item because the Agency was unable to provide required documentation to support the loan.

During the Meet and Confer, the Agency provided RDA Resolution No. PRA 6-97 and City Council Resolution No. 133-97, both adopted on November 12, 1997. These Resolutions approved a loan in the amount of \$110,000 from the City to the RDA and include relevant loan terms, such as the RDA agreement to repay the loan with interest to the City. In addition, the Agency provided General Ledger detail reports showing receipt of loan proceeds in the amount of \$110,000 into RDA Fund 010-100 and the corresponding credit of the same amount from the City's Risk Management Fund 050-100. As such, Finance is approving the requested amount of \$25,000 in RPTTF funding. The Agency should reduce the total outstanding obligation amount proportionately on subsequent ROPS.

- Item No. 13 – Loan for Reconstruction of Parking Lot – Hockett Street in the total outstanding amount of \$537,172. Finance continues to deny this item. During the Meet and Confer, the Agency contended the City loaned a total of \$405,000 to the RDA for this parking lot improvement project. The Agency explained the City and the RDA Board approved the loan during a joint session documented in the minutes of the meeting held on June 19, 2007.

In addition, the Agency provided City and RDA Joint Resolution No. 56-2007, which authorized a loan agreement between the City and the RDA for the reconstruction of a parking lot located east of Hockett Street, and RDA Resolution No. PRA 2008-04, which approved the RDA 2008-2009 Budget that acknowledged the loans from the City to support the loan.

According to the RDA/City Joint Resolution No. 56-2007, the principal amount of the loan will be the actual cost of reconstructing the parking lot, at an interest rate based on the Local Agency Investment Fund rate, and allows for annual repayment commencing one year from the time of acceptance of the completed parking lot.

Although the Minutes and the RDA/City Joint Resolution No. 56-2007 contain relevant information to be considered a loan agreement, the Agency was unable to demonstrate the exchange of funds between the RDA and the City. It is our understanding the funding for the project came from the City's Risk Management Fund and the expenditures were tracked in the City's Capital Project Account; therefore, no money was received by the RDA from the City for the project. To qualify under dissolution law, an exchange of money is required. As such, the loan does not meet the requirements of HSC section 34191.4 (b) (2) to be considered a valid loan. Therefore, this item is not an enforceable obligation, and the requested amount of \$49,669 is ineligible for RPTTF funding.

- Item No. 14 – Loan for the Amendment of Boundaries of Project Area No. 1 in the total outstanding amount of \$216,141. Finance continues to deny this item. During the Meet and Confer, the Agency explained, in 2008, the RDA borrowed money from the Porterville Civic Development Foundation (Foundation), a not-for-profit third party entity not affiliated with the City, for use in expanding the RDA's redevelopment boundaries. According to the Agency, the RDA was unable to repay the loan due to diminished revenues, and the City stepped in to repay the loan to the Foundation.

The Agency provided RDA Resolution No. PRA 2008-01, which authorized the loan from the Foundation, a Note Secured by Deed of Trust (Note), and a Deed of Trust with Assignment of Rent to support the original loan from the Foundation. According to the Note, the loan amount shall be disbursed to the RDA upon request, not to exceed \$200,000. The Agency provided evidence of requests totaling \$200,000 from the Foundation.

Further, the Agency provided City Resolution No. 77-2010, which authorized the payment of the loan to the Foundation on behalf of the RDA, and authorized a loan agreement between the RDA and the City with relevant terms. Although City Resolution No. 77-2010 contains relevant terms of a loan agreement, the Agency did not provide evidence to show the RDA Board took action to authorize and accept the loan terms and promise to repay the loan to the City. As such, the Loan does not meet the definition of a loan under HSC section 34191.4 (b) (2). Therefore, this item is not an enforceable obligation and the requested amount of \$25,000 is not eligible for RPTTF funding.

In addition, per Finance's letter dated April 5, 2018, we continue to make the following determination not contested by the Agency during the Meet and Confer:

- Item No. 24 – Willdan Financial Services in the amount of \$5,000 has been adjusted to \$2,500. It is our understanding the Agency requested the incorrect amount for the professional fees in connection with continuing disclosure services and dissemination of information required by the Indenture of Trust. Per discussion with Agency staff and a review of documentation provided, the \$5,000 requested for the annual ROPS period should be \$2,500. As a result, RPTTF requested has been decreased by \$2,500.

The Agency's maximum approved RPTTF distribution for the reporting period is \$597,037 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's 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.

On the ROPS 18-19 form, the Agency reported cash balances and activity for the period of July 1, 2015 through June 30, 2016. Finance reviews the Agency's self-reported cash balances on an ongoing basis. The Agency should be prepared to submit financial records and bridging documents to support the cash balances reported upon request. HSC section 34177 (l) (1) (E) requires available cash balances to be used prior to requesting RPTTF.

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 County Auditor-Controller 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 from Finance pursuant to HSC section 34177.5 (i). Finance's 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,

A handwritten signature in blue ink, appearing to read "Erika Li", with a large, stylized loop at the beginning.

ERIKA LI
Program Budget Manager

cc: Ms. Jenni Byers, Acting Community and Economic Development Director, City of Porterville
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	\$ 350,452	\$ 348,754	\$ 699,206
Administrative RPTTF Requested	0	0	0
Total RPTTF Requested	350,452	348,754	699,206
RPTTF Requested	350,452	348,754	699,206
<u>Adjustments</u>			
Item No. 11	0	(25,000)	(25,000)
Item No. 13	(24,669)	(25,000)	(49,669)
Item No. 14	0	(25,000)	(25,000)
Item No. 24	0	(2,500)	(2,500)
	(24,669)	(77,500)	(102,169)
RPTTF Authorized	325,783	271,254	597,037
Administrative RPTTF Authorized	0	0	0
Total RPTTF Approved for Distribution	\$ 325,783	\$ 271,254	\$ 597,037