



December 18, 2012

Ms. Darlene Thompson, Finance Director
City of Tulare
411 East Kern Avenue
Tulare, CA 93274

Dear Ms. Thompson:

Subject: Recognized Obligation Payment Schedule

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated October 15, 2012. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Tulare Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on August 31, 2012 for the period of January 1 through June 30, 2013. Finance issued its determination related to those enforceable obligations on October 15, 2012. 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 November 13, 2012.

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.

- Item No. 11 – City of Tulare Loan in the amount of \$775,445; no funding source specified. Finance continues to deny the item. Finance denied the item as HSC section 34183.5 states the July true-up process was to distribute the amount of residual property tax revenue to affecting taxing entities based on the amount approved by Finance on the January through June 2012 ROPS. This item is a city loan to the Agency to pay for the true-up payment due to the county auditor-controller. The Agency contends the item is an enforceable obligation because the Agency had to borrow money and paid under protest to avoid statutory penalties. Per HSC section 34173 (h), the city, county, or city and county that authorized the creation of a redevelopment agency may loan or grant funds to a successor agency for administrative costs, enforceable obligations, or project-related expenses at the city's discretion. An enforceable obligation shall be deemed to be created for the repayment of those loans. However, the true-up payment is not for administrative costs, enforceable obligations, or project-related expenses. Since the loan is for the July true-up payment, this item is not an enforceable obligation.

In addition, per Finance's ROPS letter dated October 15, 2012, the following items not disputed by the Agency continue to be denied:

- Item No. 9 - Contract for Consulting Services in the amount of \$15,000 of Redevelopment Property Tax Trust Fund (RPTTF) funding. According to the agreement,

the maximum payment for the fiscal year was \$15,000, which has already been paid during the July to December 2012 period. Therefore, the \$15,000 requested for the ROPS III period is denied as an enforceable obligation.

- Item No. 10 - Pass-Through Liability to Schools Allocation (LA lawsuit) in the amount of zero dollars. HSC section 34177 (b) allows reserves required for indentures, trust indentures, or similar documents governing the issuance of outstanding RDA bonds. The statute does not currently recognize contingent or unknown obligations for creation of reserves. This item was listed as a potential liability; therefore, is not an enforceable obligation.
- Item No. 12 – City of Tulare Loan in the amount of \$3.9 million; no funding source identified. HSC section 34171 (d) (2) states that loans between the City that created the redevelopment agency (RDA) and the successor agency are not enforceable obligations. Therefore, item is not an enforceable obligation. Upon receiving a Finding of Completion from Finance, HSC section 34191.4 (b) may cause this item to be enforceable in future ROPS periods.
- Item No. 15 – Disposition and Development Agreement (DDA) in the amount of \$10,000 of RPTTF funding. HSC section 34163 (b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011. The DDA was executed August 15, 2011. Therefore, item is not an enforceable obligation.

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is \$2,547,925 as summarized below:

Approved RPTTF Distribution Amount	
For the period of January through June 2013	
Total RPTTF funding requested for obligations	\$ 2,447,925
Less: Six-month total for items denied or reclassified as administrative cost	
Item 9	15,000
Item 15	10,000
Total approved RPTTF for enforceable obligations	\$ 2,422,925
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	125,000
Total RPTTF approved:	\$ 2,547,925

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS III form the estimated obligations and actual payments associated with the January through June 2012 period. The amount of RPTTF approved in the above table will be adjusted by the county auditor-controller to account for differences between actual payments and past estimated obligations. Additionally, these estimates and accounts are subject to audit by the county auditor-controller and the State Controller.

The amount available from the RPTTF is the same as the 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.

Except for items disallowed as noted above, Finance is not objecting to the remaining items listed in your ROPS III. Obligations deemed not to be enforceable shall be removed from your ROPS. This is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2013. 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 questioned on this ROPS or a preceding ROPS.

Please direct inquiries to Evelyn Suess, Dispute Resolution Supervisor, or Mary Halterman, Analyst, at (916) 445-1546.

Sincerely,

A handwritten signature in black ink, appearing to read 'Steve Szalay', with a long, sweeping horizontal stroke extending to the left.

STEVE SZALAY
Local Government Consultant

cc: Ms. Rita A. Woodard, Auditor-Controller, Tulare County
California State Controller's Office