



May 17, 2013

Mr. Bryan Briggs, Economic Development Manager
City of Ceres
2720 2nd Street
Ceres, CA 95307-3292

Dear Mr. Briggs:

Subject: Recognized Obligation Payment Schedule

This letter supersedes California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS 13-14A) letter dated April 18, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Ceres Successor Agency (Agency) submitted a ROPS 13-14A to Finance on March 4, 2013 for the period of July through December 2013. 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 May 1, 2013.

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 items being disputed.

- The following projects totaling \$17,470,000 in bond proceeds were denied pursuant to HSC section 34163 (b) which prohibits an Agency from entering into contracts or agreements after June 27, 2011.
 - Item 13 – Mitchell/Service Highway 99 Project in the amount of \$5,125,000
 - Item 14 – Barbour's Sewerage Lift Station in the amount of \$600,000
 - Item 15 – Whitmore/Highway 99 Interchange in the amount of \$595,000
 - Item 16 – Smyrna Park Restrooms in the amount of \$5,700,000
 - Item 17 – N. Ceres Water System Improvements in the amount of \$350,000
 - Item 18 – Service Road Sewer Improvements in the amount of \$2,100,000
 - Item 19 – General Plan Environmental Impact Report in the amount of \$3,000,000

The Agency was issued a finding of completion on April 24, 2013. Therefore, the Agency may utilize proceeds derived from bonds issued prior to January 1, 2011 in a manner consistent with the original bond covenants per HSC section 34191.4 (c). As such, these items are eligible for expenditure on the ROPS 13-14A, as originally requested.

In addition, per Finance's ROPS letter dated April 12, 2013, the following items continue to be denied:

- The Agency was approved to retain \$503,212 of reserve funds to make bond debt service payments during the ROPS 13-14A period in the Other Funds and Accounts (OFA) Due Diligence Review (DDR) Meet and Confer determination letter dated April 18, 2013. Finance adjusted for the bond debt service payment on Item No. 1 to reflect the use of \$503,212 in reserve funding and \$138,550 in Redevelopment Property Tax Trust Fund (RPTTF). This adjustment decreased the request for RPTTF as summarized in the table below. The Agency contends that a portion of the retained amount was used during ROPS III period and that additional RPTTF funding will be needed. However, Finance has approved sufficient amount of funding to make the upcoming debt service payment. Therefore, Agency's request for additional \$503,212 in RPTTF funding is not permitted.
- Item No. 7 – Supplemental Education Revenue Augmentation Fund Loan Repayment in the amount of \$16,698. HSC section 34176 (e) (6) (B) specifies loan or deferral repayments to the low and moderate income housing fund shall not be made prior to the 2013-14 fiscal year. While ROPS 13-14A technically falls within fiscal year 2013-14, the repayment of these loaned amounts is subject to the repayment formula outlined in HSC section 34176 (e) (6) (B). Therefore, the Agency may be able to request funding for the repayment of housing deferred set-aside loans beginning with ROPS 14-15A.

Except for items denied in whole or in part as enforceable obligations, Finance is not objecting to the remaining items listed on your ROPS 13-14A. This determination applies only to items where funding was requested for the six month period. If you disagree with the determination with respect to any items on your ROPS 13-14A, 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/

The Agency's maximum approved RPTTF distribution for the reporting period is \$1,817,791 as summarized below:

Approved RPTTF Distribution Amount	
For the period of July through December 2013	
Total RPTTF funding requested for obligations	\$ 2,212,701
Minus: Six-month total for items denied or reclassified as administrative cost	
Item 1*	503,212
Item 7	16,698
Total approved RPTTF for enforceable obligations	\$ 1,692,791
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost	125,000
Minus: ROPS II prior period adjustment	-
Total RPTTF approved for distribution:	\$ 1,817,791

*Reclassified as reserve balance funding

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2012 period. The amount of RPTTF approved in

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the above table includes the prior period adjustment that was self-reported by the Agency. HSC Section 34186 (a) also specifies that the 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 above table includes only the prior period adjustment that was self-reported by the Agency.

Please refer to the ROPS 13-14A schedule that was used to calculate the approved RPTTF amount:

[http://www.dof.ca.gov/redevelopment/ROPS/ROPS 13-14A Forms by Successor Agency/](http://www.dof.ca.gov/redevelopment/ROPS/ROPS%2013-14A%20Forms%20by%20Successor%20Agency/).

This is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 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 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 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 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 Beliz Chappuie, Supervisor or Todd Vermillion, Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Ms. Sheila Cumberland, Finance Director/Deputy City Manager, City of Ceres
Ms. Lauren Klein, Auditor-Controller, County of Stanislaus
California State Controller's Office