

December 17, 2013

Mr. Christopher J. Jicha, Senior Consultant, Kosmont Companies  
City of Mendota Designated Local Authority  
865 South Figueroa Street, 35th Floor  
Los Angeles, CA 90017

Dear Mr. Jicha:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated November 15, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Mendota Designated Local Authority Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14B) to Finance on October 01, 2013, for the period of January through June 2014. Finance issued a ROPS determination letter on November 15, 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 December 10, 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.

- Item Nos. 2 and 24 – 1989 Lease Revenue Bonds in the amount of \$310,263. Finance continues to deny these items. This bond is secured through "Revenues" received by the Mendota Joint Powers Authority (Authority) and held by the Trustee. Revenues, as defined in the Trust Agreement, includes all rental payments received pursuant the "Lease" and all payments received by the Authority pursuant to the "Redevelopment Agreement". The Lease and the Redevelopment Agreement has not been provided by the Agency; therefore, we are unable to determine the Agency's actual obligation toward this debt service payment, if any. As such, this item is not an enforceable obligation and is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding at this time. Finance notes the Agency should submit the necessary documentation and place the item on a future ROPS for our review.

In addition, per Finance's letter dated November 15, 2013, we maintain our position on the following items not contested by the Agency during the Meet and Confer:

During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that are required to be used prior to requesting RPTTF. Pursuant to HSC section 34177 (I) (1) (E), RPTTF may be used as a funding source, but only to the extent

no other funding source is available or when payment from property tax revenues is required by an enforceable obligation.

Therefore, the funding source for the following items have been reclassified to Reserves funding and in the amounts specified below:

- Item Nos. 7 through 18 – Past due principal and interest payments on the 1994 Tax Allocation Bonds totaling \$3,156,328. The Agency was allowed to retain \$1,728,897 from the Other Funds and Accounts (OFA) and \$1,294,217 from the Low and Moderate Income Housing Fund (LMIHF) Due Diligence Reviews, respectively. Additionally, because there was a disallowed transfer to the City identified in the OFA DDR Meet and Confer in the amount of \$76,426, this amount will also be used to offset RPTTF. Therefore, the RPTTF requests were reclassified to Reserves funding.

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14B form the estimated obligations and actual payments (prior period adjustments) associated with the January through June 2013 period. 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. The amount of RPTTF approved in the below table includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

Except for items denied in whole or in part as an enforceable obligations or for the items that have been reclassified, Finance is not objecting to the remaining items listed on your ROPS 13-14B.

The Agency's maximum approved RPTTF distribution for the reporting period is \$592,546 as summarized on the following page:

<b>Approved RPTTF Distribution Amount For the period of January through June 2014</b>	
Total RPTTF requested for non-administrative obligations	3,781,275
Total RPTTF requested for administrative obligations	12,100
<b>Total RPTTF requested for obligations</b>	<b>\$ 3,793,375</b>
<b>Total RPTTF requested for non-administrative obligations</b>	<b>3,781,275</b>
<u>Denied Items</u>	
Item No. 2	(22,963)
Item No. 24	(78,326)
	(101,289)
<u>Reclassified Items</u>	
Item No. 7	(145,000)
Item No. 8	(150,000)
Item No. 9	(160,000)
Item No. 10	(175,000)
Item No. 11	(185,000)
Item No. 12	(200,000)
Item No. 13	(241,888)
Item No. 14	(456,888)
Item No. 15	(241,888)
Item No. 16	(471,888)
Item No. 17	(241,888)
Item No. 18	(430,100)
	(3,099,540)
<b>Total RPTTF approved for non-administrative obligations</b>	<b>580,446</b>
<b>Total RPTTF for administrative obligations</b>	<b>12,100</b>
<b>Total RPTTF approved for obligations</b>	<b>592,546</b>
ROPS III prior period adjustment	-
<b>Total RPTTF approved for distribution</b>	<b>\$ 592,546</b>

Pursuant to HSC section 34177 (l) (1) (E), agencies are required to use all available funding sources prior to RPTTF for payment of enforceable obligations. Beginning with the ROPS 13-14B period, Finance required successor agencies to identify fund balances for various types of funds in its possession. During our ROPS 13-14B review, Finance was unable to reconcile the financial records to the amounts reported. As a result, Finance will continue to work with the Agency after the ROPS 13-14B review period to properly identify the Agency's fund balances. If it is determined the Agency possesses fund balances that are available to pay approved obligations, the Agency should request the use of these fund balances prior to requesting RPTTF in ROPS 14-15A.

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

[http://www.dof.ca.gov/redevelopment/ROPS/ROPS\\_13-14B\\_Forms\\_by\\_Successor\\_Agency/](http://www.dof.ca.gov/redevelopment/ROPS/ROPS_13-14B_Forms_by_Successor_Agency/).

This is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2014. This determination applies only to items where funding was requested for the six month period. 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 section 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 HSC section 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 to Evelyn Suess, Dispute Resolution Supervisor, or Danielle Brandon, Analyst, at (916) 445-1546.

Sincerely,



JUSTYN HOWARD  
Assistant Program Budget Manager

cc: Mr. Craig Mellon, Chair, Designated Local Authority, City of Mendota Designated Local Authority  
Mr. George Gomez, Accounting Financial Manager, Fresno County  
California State Controller's Office