



April 14, 2014

Ms. Sherri Dueker, Accounting Manager
City of Chowchilla
130 South Second Street
Chowchilla, CA 93610

Dear Ms. Dueker:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Chowchilla Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15A) to the California Department of Finance (Finance) on March 13, 2014 for the period of July through December 2014. Finance has completed its review of your ROPS 14-15A, which may have included obtaining clarification for various items.

HSC section 34171 (d) defines enforceable obligations. Based on a sample of line items reviewed and application of the law, the following do not qualify as enforceable obligations for the reasons specified:

- Item No. 3 – County property tax administrative fees in the amount of \$4,000. HSC section 34182 (e) allows the county auditor-controller to deduct from the Redevelopment Property Tax Trust Fund (RPTTF) for their administration costs prior to distributing property tax revenues. Therefore, this item should not be included in the ROPS.
- Item No. 6 – Legal fees related to the California High Speed Rail Authority (Authority) litigation in the amount of \$8,000. The agreement provided during the ROPS 13-14A period was between the City and Wulfsberg, Reese, Colvig and Firstman. The former redevelopment agency is neither a party to the agreement nor responsible for payment of the agreement. The Agency was unable to provide any new agreement for legal fees related to the Authority litigation. Therefore, this line item is not eligible for RPTTF funding.
- Item Nos. 4, 12, and 29 – Various fees totaling \$135,000. Although these items are enforceable, they are considered general administrative costs and have been reclassified. However, the Agency's administrative costs did not exceed the administrative cost cap.

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 14-15A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2013 period. The amount of RPTTF approved in

the table below includes the prior period adjustment 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 table below includes only the prior period adjustment self-reported by the Agency.

Except for the items denied in whole or in part as enforceable obligations or for the items that have been reclassified, Finance is not objecting to the remaining items listed on your ROPS 14-15A. If you disagree with the determination with respect to any items on your ROPS 14-15A, 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 \$544,827 as summarized below:

Approved RPTTF Distribution For the period of July through December 2014	
Total RPTTF requested for non-administrative obligations	581,838
Total RPTTF requested for administrative obligations	0
Total Requested RPTTF	\$ 581,838
Total RPTTF requested for non-administrative obligations	581,838
<u>Denied Items</u>	
Item No. 3	(4,000)
Item No. 6	(8,000)
	(12,000)
<u>Reclassified Items</u>	
Item No. 4	(6,000)
Item No. 12	(4,000)
Item No. 29	(125,000)
	(135,000)
Total RPTTF authorized for non-administrative obligations	\$ 434,838
Total RPTTF requested for administrative obligations	0
<u>Reclassified Items</u>	
Item No. 4	6,000
Item No. 12	4,000
Item No. 29	125,000
	135,000
Total RPTTF authorized for administrative obligations	\$ 135,000
Total RPTTF funding for obligations	\$ 569,838
Self-Reported ROPS 13-14A prior period adjustment (PPA)	(25,011)
Total RPTTF approved for distribution	\$ 544,827

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. During the ROPS 14-15A review, Finance requested financial records to support the cash balances reported by the Agency; however, 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 14-15A

review period to properly identify the Agency's cash balances. If it is determined the Agency possesses cash balances that are available to pay approved obligations, the Agency should request the use of these cash balances prior to requesting RPTTF in ROPS 14-15B.

Please refer to the ROPS 14-15A schedule that was used to calculate the approved RPTTF amount:

<http://www.dof.ca.gov/redevelopment/ROPS>

Absent a Meet and Confer, this is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2014. This determination only applies 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 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 Beliz Chappuie, Supervisor or Todd Vermillion, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Assistant Program Budget Manager

cc: Mr. Mark Lewis, City Administrator, City of Chowchilla
Mr. Jim Boyajian, Assistant Auditor Controller, Madera County
California State Controller's Office