



April 21, 2014

Ms. Rocio Mosqueda, Finance Director
City of McFarland
401 West Kern Avenue
McFarland, CA 93250

Dear Ms. Mosqueda:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of McFarland Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15A) to the California Department of Finance (Finance) on March 26, 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 does not qualify as an enforceable obligation for the reason specified:

- Item No. 1 – ROPS 14-15A was not submitted to Finance until March 26, 2014, 23 days past the March 3, 2014 deadline. Pursuant to HSC 34177 (m) (2), if the Agency does not submit a ROPS within ten days of the deadline, the Agency's administrative allowance shall be reduced by 25 percent. Therefore, the administrative cost of \$10,860 has been reduced by \$2,715 ($\$10,860 \times 25\% = \$2,715$) to \$8,145.
- Item No. 2 – Loan Agreement in the amount of \$104,560 is not an enforceable obligation at this time. Insufficient documentation was provided to support the amount claimed. The Agency provided a Loan Agreement (Agreement) dated April 13, 2006 between the City of McFarland (City) and the former redevelopment agency (RDA) for \$200,000 in startup costs. However, the Agreement itself does not support the current outstanding balance. Per the Agreement; the former RDA was to pay the full amount of principal and interest accruing on or before April 13, 2011. To the extent the Agency can provide suitable documentation, such as the general ledger, CAFR, or other supporting documentation to support the outstanding balance, the Agency may be able to obtain RPTTF funding on future ROPS.

In addition, Finance noted the following:

The Agency replaced the original obligation for Item No. 1 with an existing obligation on this ROPS. Each item number is assigned to that specific obligation indefinitely. For consistency

purposes between ROPS periods, Item No. 1 was restored to the original format listed on the ROPS template and the existing obligation was assigned a sequential number as follows:

- Item No. 1 – Administrative Budget
- Item No. 2 – Loan Agreement

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

Except for the items denied in whole or in part as an enforceable obligation, 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 \$8,145 as summarized below:

Approved RPTTF Distributions	
For the period of July through December 2014	
Total RPTTF requested for non-administrative obligations	26,488
Total RPTTF requested for administrative obligations	10,860
Total RPTTF requested for obligations	\$ 37,348
<u>Denied Item</u>	
Item No. 2	(26,488)
	(26,488)
Total RPTTF authorized for non-administrative obligations	\$ 0
Total RPTTF requested for administrative obligations	10,860
<u>Denied Item</u>	
Item No. 1 (Administrative penalty 25%)	(2,715)
	(2,715)
Total RPTTF authorized for administrative obligations	\$ 8,145
Total RPTTF authorized for obligations	\$ 8,145
ROPS 13-14A prior period adjustment	0
Total RPTTF approved for distribution	\$ 8,145

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 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 Kylie Oltmann, Supervisor or Veronica Green, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Assistant Program Budget Manager

cc: Mr. Dennis McNamara, Planning Director, City of McFarland
Ms. Mary B Bedard, Auditor-Controller, Kern County
California State Controller's Office