



April 1, 2014

Mr. Paul Melikian, Director of Finance & Administrative Services  
City of Reedley  
1717 9th Street  
Reedley, CA 93654

Dear Mr. Melikian:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Reedley Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15A) to the California Department of Finance (Finance) on February 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 reasons specified:

- Item No. 19 – Housing Administrative costs in the amount of \$150,000. Pursuant to HSC section 34177 (p), the housing entity administrative cost allowance is applicable only in cases where the city, county, or city and county that authorized the creation of the redevelopment agency (RDA) elected to not assume the housing functions and that the housing functions were transferred to a local housing authority in the territorial jurisdiction of the RDA. Here, however, the City of Reedley (City) elected to be the housing entity to the RDA and retained the housing assets by submitting the Housing Asset Transfer form to Finance on August 1, 2012. Therefore, the City is not eligible for the housing entity administrative costs allowance of \$150,000.

The administrative costs claimed are within the fiscal year administrative cap pursuant to HSC section 34171 (d). However, Finance notes the oversight board has approved an amount that appears excessive, given the number and nature of the other obligations listed on the ROPS. HSC section 34179 (i) requires the oversight board to exercise a fiduciary duty to the taxing entities. Therefore, Finance encourages the oversight board to apply adequate oversight when evaluating the administrative resources required to successfully wind-down the Agency.

During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should be used prior to requesting RPTTF. Pursuant to HSC section 34177 (l) (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. It is our understanding the Agency has \$71,763 available in Reserve Balances.

Therefore, with the Agency's concurrence, the funding source for the following items has been reclassified to Reserve Balances in the amounts specified below:

- Item No. 1 – 2001 Tax Exempt Bonds in the amount of \$378,764. The Agency requested \$378,764 from RPTTF; however Finance is reclassifying \$46,771 to Reserve Balances. This item is an enforceable obligation for the ROPS 14-15A period. However, the Agency has \$71,763 in available Reserve Balances. Therefore, Finance is approving RPTTF in the amount of \$331,993 and the use of Reserve Balances in the amount of \$46,771, totaling \$378,764.
- Item No. 2 – 2011 Taxable Bonds in the amount of \$61,200. The Agency requested \$36,208 from Other Funds and \$24,992 from RPTTF; however Finance is reclassifying \$24,992 to Reserve Balances. This item is an enforceable obligation for the ROPS 14-15A period. However, the Agency has \$71,763 in available Reserve Balances. Therefore, Finance is approving RPTTF in the amount of \$0, Other Funds in the amount of \$36,208 and Reserve Balances in the amount of \$24,992, totaling \$61,200.

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. 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. The amount of RPTTF approved in the table below includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

Except for the items denied in whole or in part as enforceable obligations and 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/](http://www.dof.ca.gov/redevelopment/meet_and_confer/)

The Agency's maximum approved RPTTF distribution for the reporting period is \$454,304 as summarized below:

<b>Approved RPTTF Distribution</b>	
<b>For the period of July through December 2014</b>	
Total RPTTF requested for non-administrative obligations	403,756
Total RPTTF requested for administrative obligations	200,000
<b>Total RPTTF requested for obligations</b>	<b>\$ 603,756</b>
<b>Total RPTTF requested for non-administrative obligations</b>	<b>403,756</b>
<b>Total RPTTF for non-administrative obligations</b>	<b>403,756</b>
<u>Cash Balances - Items reclassified to other funding sources</u>	
Item No. 1	(46,771)
Item No. 2	(24,992)
	(71,763)
<b>Total RPTTF authorized for non-administrative obligations</b>	<b>\$ 331,993</b>
<b>Total RPTTF requested for administrative obligations</b>	<b>200,000</b>
<u>Denied Item</u>	
Item No. 19	(75,000)
	(75,000)
<b>Total RPTTF authorized for administrative obligations</b>	<b>\$ 125,000</b>
<b>Total RPTTF authorized for obligations</b>	<b>\$ 456,993</b>
ROPS 13-14A prior period adjustment	(2,689)
<b>Total RPTTF approved for distribution</b>	<b>\$ 454,304</b>

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.

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Please direct inquiries to Nichelle Thomas, Supervisor or Alexander Watt, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD  
Assistant Program Budget Manager

cc: Mr. Kevin Fabino, Community Development Director, City of Reedley  
Mr. George Gomez, Accounting Financial Manager, Fresno County  
California State Controller's Office