



May 15, 2015

Mr. Ken Grey, Executive Director
City of Selma
1710 Tucker Street
Selma, CA 93662

Dear Mr. Grey:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated March 27, 2015. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Selma Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 15-16A) to Finance on February 17, 2015, for the period of July through December 2015. Finance issued a ROPS determination letter on March 27, 2015. Subsequently, the Agency requested a Meet and Confer session on one or more of the determinations made by Finance. The Meet and Confer session was held on April 6, 2015.

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 determinations being disputed.

- Pursuant to our letter dated May 16, 2014, the Fresno County Auditor-Controller (CAC) withheld \$125,000 from the Agency's June 1, 2014 Redevelopment Property Tax Trust Fund (RPTTF) allocation due to non-payment of amounts due to the CAC as a result of the Low and Moderate Income Housing Fund and Other Funds and Accounts (OFA) Due Diligence Reviews. The Agency's expenditures, as supported by the accounting records provided, did not fully offset the amount of the CAC withhold. As a result, Finance reclassified a portion of Item No. 5 to Reserve Balances.

During the Meet and Confer process, the Agency contended that there is no requirement that the Agency's expenditures fully offset the amount withheld by the CAC and there is no basis for the reclassification of the \$117,186. Based on our review, Finance approved \$503,766 to be funded from the RPTTF in the July through December 2014 ROPS (ROPS 14-15A) period. The CAC reported \$378,766 was distributed from the RPTTF and \$125,000 was withheld as a payment on the outstanding OFA balance. The \$125,000 withheld as payment from the outstanding OFA balance should be funds on-hand with the Agency and available for expenditure. Therefore, the Agency received the full \$503,766 (\$378,766 + \$125,000) that was approved during the ROPS 14-15A period.

On the prior period adjustment form for the ROPS 14-15A period that was included in the ROPS 15-16A submission, the Agency only reported \$378,766 as being available, instead of the full \$503,766 that was actually available. The Agency self-reported actual expenditures totaling \$383,180. Therefore, \$120,586 ($\$503,766 - \$383,180$) of the funds available during the ROPS 14-15A period was not expended and should continue to be available for expenditure during the ROPS 15-16A period. Since the Agency self-reported a prior period adjustment of \$3,400, the remaining balance of \$117,186 ($\$120,586 - \$3,400$) is available for reclassification.

As such, the funding source for the following item continues to be reclassified to Reserve Balances and in the amount specified below:

- Item No. 5 – Employee Costs. The Agency requests \$125,000 from RPTTF; however, Finance is reclassifying \$117,186 to Reserve Balances to fully offset the amount of the CAC withhold. Therefore, Finance is approving RPTTF in the amount of \$7,814 and the use of Reserve Balances in the amount of \$117,186, totaling \$125,000.

In addition, per Finance's letter dated March 27, 2015, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

- Item No. 2 – Industrial Development Bond debt service payment. The Agency requested \$206,250 from Reserve Balances; however, Finance notes that only \$130,625 is due for debt service pursuant to the bond covenants. Additionally, Finance notes that the fund source for this item should have been Other Funds. Therefore, with the Agency's consent, Finance has decreased the funding for this item by \$75,625 ($\$206,250 - \$130,625$), and reclassified the approved funding from Reserve Balances to Other Funds.

The administrative costs claimed are within the fiscal year administrative cap pursuant to HSC section 34171 (b). However, Finance notes the oversight board has approved an amount that appears excessive, given the number and nature of the 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.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 15-16A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2014 period. HSC section 34186 (a) also specifies prior period adjustments self-reported by successor agencies are subject to audit by the CAC and the State Controller. Proposed CAC adjustments were not received in time for inclusion in this letter; therefore, the amount of RPTTF approved in the table below only reflects the prior period adjustment self-reported by the Agency.

Except for the items denied in whole or in part or items that have been reclassified, Finance is not objecting to the remaining items listed on your ROPS 15-16A. The Agency's maximum approved RPTTF distribution for the reporting period is \$387,670 as summarized in the Approved RPTTF Distribution table below:

Approved RPTTF Distribution	
For the period of July through December 2015	
Total RPTTF requested for non-administrative obligations	383,256
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations on ROPS	\$ 508,256
Total RPTTF requested for non-administrative obligations	383,256
Total RPTTF authorized for non-administrative obligations	\$ 383,256
Total RPTTF requested for administrative obligations	125,000
<u>Items reclassified to Reserve Balances</u>	
Item No. 5	(117,186)
Total RPTTF authorized for administrative obligations	\$ 7,814
Total RPTTF authorized for obligations	\$ 391,070
ROPS 14-15A prior period adjustment	(3,400)
Total RPTTF approved for distribution	\$ 387,670

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 15-16A review, Finance requested financial records to support the cash balances reported by the Agency. The Agency was unable to support the amounts reported for Reserve Balances and Other Funds. Finance will continue to work with the Agency after the ROPS 15-16A review period to resolve any remaining issues as described above. If it is determined the Agency possesses additional 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 15-16B.

Please refer to the ROPS 15-16A schedule that was used to calculate the approved RPTTF amount:

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

This is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2015. 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 the 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 agency in the RPTTF.

Pursuant to HSC section 34177 (a) (3), only those payments listed on an approved ROPS may be made by the successor agency from the funds specified in the ROPS. However, if the Agency needs to make payments for approved obligations from another funding source, HSC section 34177 (a) (4) requires the Agency to first obtain oversight board approval.

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 Sues, Dispute Resolution Supervisor, or Mary Halterman, Analyst, at (916) 445-3274.

Sincerely,



JUSTYN HOWARD
Program Budget Manager

cc: Mr. Neal E. Costanzo, Agency Counsel, City of Selma
Mr. George Gomez, Accounting Financial Manager, Fresno County
California State Controller's Office

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