



April 20, 2012

Bryan Briggs, Redevelopment and Economic Development Manager
City of Ceres
2720 Second Street
Ceres, CA 95307-3292

Dear Mr. Briggs:

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the City of Ceres Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS) to the California Department of Finance (Finance) on April 10, 2012 for the period January through July 2012. Finance staff recently contacted you for further clarification of items listed in the ROPS.

HSC section 34171 (d) lists enforceable obligations (EO) characteristics. Based on a sample of line items reviewed and application of the law, the following items do not qualify as EOs:

- Item 16 – Capital improvement contract totaling \$595,000 was executed on August 8, 2011. HSC section 34163 (b) prohibits the Agency from entering into contracts with any entity after June 27, 2011.
- Item 20 – Land acquisition in the amount of \$1,322,500. There are no documents that show the Agency has established an EO. HSC section 34163 (e) prohibits the Agency from acquiring real property by any means after June 27, 2011.
- Items 7 through 11, 23, and 24 - Administrative expenses totaling \$303,443. HSC section 34171 (b) limits the fiscal year 2011-12 administrative cost allowance to five percent of the property tax allocated to the successor agency or \$250,000, whichever is greater. The Agency's five-percent property tax allocation for 2011-12 is \$95,000. Therefore, out of the \$553,443 claimed, the Agency is limited to the \$250,000 minimum funding for administrative expenses.

As authorized by HSC section 34179 (h), Finance is returning your ROPS for reconsideration. This action will cause the ROPS to be ineffective until Finance approval. Furthermore, items listed on future ROPS will be subject to review and may be denied as EOs.

If you believe we have reached this conclusion in error, please provide further evidence that the items questioned above meet the definition of an EO.

Please direct any inquiries to Evelyn Suess, Supervisor or Mindy Patterson, Lead Analyst at (916) 322-2985.

Sincerely,

MARK HILL
Program Budget Manager

cc: Ms. Lauren Klein, County of Stanislaus, Auditor-Controller