



Transmitted via e-mail

April 14, 2021

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

### **2021-22 Annual Recognized Obligation Payment Schedule**

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Chowchilla Successor Agency (Agency) submitted an annual Recognized Obligation Payment Schedule for the period July 1, 2021 through June 30, 2022 (ROPS 21-22) to the California Department of Finance (Finance) on February 1, 2021. Finance has completed its review of the ROPS 21-22.

Based on a sample of line items reviewed and application of the law, Finance made the following determinations:

- Item Nos. 9 and 36 – Property Tax Bill and Water District Assessment in the total outstanding amounts of \$9,161 and \$5,233, respectively, are not allowed. It is our understanding the property subject to the tax is owned by the City of Chowchilla (City) and not the Agency. As a result, these are obligations of the City and not the Agency. Therefore, these items are not enforceable obligations and the requested amounts of \$9,161 and \$5,233 from Redevelopment Property Tax Trust Fund (RPTTF) funding are not allowed.
- Item No. 33 – Greenhills Holdings payment in the total outstanding amount of \$262,667 has been reclassified from RPTTF to Other Funds. On September 9, 2015, the Agency, City, and Greenhills Holdings, LLP (Greenhills) executed the First Amendment to Settlement Agreement for the Madera County Superior Court Case No. MCV058019 (First Amendment). The terms of the First Amendment allowed for the Agency to sell Assessor's Parcel Number (APN) 02-250-053 and monetarily remit the 6.73 acre obligation of the settlement to Greenhills which equaled an amount of \$270,072. The Agency requested the use of Other Funds in the amount of \$270,072 to pay this obligation in the January 1, 2016 through June 30, 2016 (ROPS 15-16B) period, and Finance approved the amount in its determination letter dated December 17, 2015.

Subsequent to the approval in ROPS 15-16B, the Agency entered into a purchase and sale agreement with a third party buyer (Buyer) and carried a promissory note for the amount of the purchase price. According to the Agency, the Buyer never made any of the loan payments pursuant to the promissory note and foreclosed on the property, leaving the settlement obligation outstanding. However, according to the Trustee's Deed Upon Sale recorded on August 27, 2020, the property was conveyed back to the City and not the Agency in error. It is our understanding the City is currently attempting to rectify the error and quit claim deed the property into the Agency's name.

On January 28, 2021, the Agency, City, and Greenhills executed a Second Amendment to Settlement Agreement that requires payment to Greenhills from RPTTF rather than property sale proceeds and released all beneficial interest Greenhills had in APN 02-250-053. However, the Second Amendment to the Settlement Agreement is not valid, as it was not approved by the OB as required by HSC section 34181 (e) or by Finance pursuant to HSC section 34179 (h). Therefore, the First Amendment to Settlement Agreement is still effective allowing for the option to sell APN 02-250-053 and monetarily remit the proceeds owed to Greenhills. Therefore, funding for this obligation shall be paid in the manner previously requested and approved during the ROPS 15-16B process and the current request for RPTTF funding is not allowed.

- The administrative costs claimed are within the fiscal year administrative cap pursuant to HSC section 34171 (b) (3). However, Finance notes the Oversight Board (OB) 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 OB to exercise a fiduciary duty to the taxing entities. Therefore, Finance encourages the OB to apply adequate oversight when evaluating the administrative resources necessary to successfully wind down the Agency.

Pursuant to HSC section 34186, successor agencies are required to report differences between actual payments and past estimated obligations (prior period adjustments) for the July 1, 2018 through June 30, 2019 (ROPS 18-19) period. The ROPS 18-19 prior period adjustment (PPA) will offset the ROPS 21-22 RPTTF distribution. The amount of RPTTF authorized includes the PPA resulting from the County Auditor-Controller's review of the PPA form submitted by the Agency.

The Agency's maximum approved RPTTF distribution for the reporting period is \$374,788, as summarized in the Approved RPTTF Distribution table (see Attachment).

RPTTF distributions occur biannually, one distribution for the July 1, 2021 through December 31, 2021 period (ROPS A period), and one distribution for the January 1, 2022 through June 30, 2022 period (ROPS B period), based on Finance's approved amounts. Since this determination is for the entire ROPS 21-22 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

Except for the adjusted items, Finance does not object to the remaining items listed on the ROPS 21-22. If the Agency disagrees with our determination with respect to any items on the ROPS 21-22, except items which are the subject of litigation disputing our previous or related determinations, the Agency may request a Meet and Confer within five business days from the date of this letter. The Meet and Confer process and guidelines are available on our website:

[http://dof.ca.gov/Programs/Redevelopment/Meet\\_And\\_Confer/](http://dof.ca.gov/Programs/Redevelopment/Meet_And_Confer/)

The Agency must use the RAD App to complete and submit its Meet and Confer request form.

Absent a Meet and Confer, this is our final determination regarding the obligations listed on the ROPS 21-22. This determination only applies to items when funding was requested for the 12-month period. If a determination by Finance in a previous ROPS is currently the subject of litigation, the item will continue to reflect the determination until the matter is resolved.

The ROPS 21-22 form submitted by the Agency and this determination letter will be posted on our website:

<http://dof.ca.gov/Programs/Redevelopment/ROPS/>

This determination is effective for the ROPS 21-22 period only and should not be conclusively relied upon for future ROPS periods. All items listed on a future ROPS are subject to Finance's review and may be adjusted even if not adjusted on this ROPS or a preceding ROPS. The only exception is for items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). Finance's review of Final and Conclusive items 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 available prior to the enactment of the redevelopment dissolution law. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax increment is limited to the amount of funding available to the Agency in the RPTTF.

Please direct inquiries to Todd Vermillion, Supervisor, or Brian Dunham, Staff, at (916) 322-2985.

Sincerely,

Original signed by Cheryl L. McCormick for:

JENNIFER WHITAKER  
Program Budget Manager

cc: Rod Pruet, Finance Director, City of Chowchilla  
Catherine Nainoa, Chief Accountant Auditor, Madera County

<b>Approved RPTTF Distribution July 2021 through June 2022</b>			
	<b>ROPS A</b>	<b>ROPS B</b>	<b>Total</b>
RPTTF Requested	\$ 683,918	\$ 0	\$ 683,918
Administrative RPTTF Requested	110,000	0	110,000
<b>Total RPTTF Requested</b>	<b>793,918</b>	<b>0</b>	<b>793,918</b>
<b>RPTTF Requested</b>	<b>683,918</b>	<b>0</b>	<b>683,918</b>
<u>Adjustment(s)</u>			
Item No. 9	(9,161)	0	(9,161)
Item No. 33	(262,667)	0	(262,667)
Item No. 36	(5,233)	0	(5,233)
	(277,061)	0	(277,061)
<b>RPTTF Authorized</b>	<b>406,857</b>	<b>0</b>	<b>406,857</b>
<b>Administrative RPTTF Authorized</b>	<b>110,000</b>	<b>0</b>	<b>110,000</b>
ROPS 18-19 prior period adjustment (PPA)	(142,069)	0	(142,069)
<b>Total RPTTF Approved for Distribution</b>	<b>\$ 374,788</b>	<b>\$ 0</b>	<b>\$ 374,788</b>