



Transmitted via e-mail

May 17, 2021

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

2021-22 Annual Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 14, 2021. Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Chowchilla Successor Agency (Agency) submitted an annual ROPS for the period July 1, 2021 through June 30, 2022 (ROPS 21-22) to Finance on February 1, 2021. The Agency requested a Meet and Confer on one or more of the determinations made by Finance. The Meet and Confer was held on April 22, 2021.

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:

- Item No. 9 – Property Tax in the total outstanding amount of \$9,161. Finance continues to deny this item. The amount due of \$4,627 required for fiscal year 2020-21 was paid by the City of Chowchilla (City) because these were past due taxes not paid by the prior property owner prior to the foreclosure of the property. Since the City was the owner on record after foreclosure, the City paid the taxes and the Agency had no obligation. On April 29, 2021, the City transferred the subject property to the Agency. However, the Agency has concurred it is not responsible for the \$4,534 tax payment for fiscal year 2021-22 because as a governmental entity, it is tax exempt. Therefore, \$9,161 (\$4,627 + \$4,534) is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.
- Item No. 33 – Greenhills Holdings payment in the total outstanding amount of \$262,667. Finance no longer reclassifies the requested amount of \$262,667 from RPTTF to Other Funds. Finance initially reclassified the funding source because the First Amendment to Settlement Agreement allowed for the option to sell Assessor Parcel Number 02-250-053 (Property) and monetarily remit the proceeds owed to Greenhills Holdings, LLP (Greenhills). Additionally, the Agency provided a Second Amendment to the Settlement Agreement authorizing the use of RPTTF in lieu of property sales proceeds. However, this action was not approved by the Oversight Board (OB) as required by HSC section 34181 (e) or by Finance pursuant to HSC section 34179 (h), and was deemed invalid.

Further, the Property had been erroneously deeded to the City following its foreclosure after sale from the Agency to a third party developer. Since the Property is at the center of the obligation to pay Greenhills, ownership of the Property is a condition to approval of funding for the obligation, either through Other Funds or RPTTF.

According to additional documents provided by the Agency, the Property has been quit claim deeded back to the Agency and Greenhills has released its interest in the property. Upon further review of the First Amendment to Settlement Agreement, the option to monetarily remit funds equal to the value of the property to Greenhills does not specify the funds must come from the sales proceeds of the Property. Greenhills does not have the ability to wait until the sale of the property. To accomplish the monetization of the property, the Agency requests RPTTF. Since the Agency has now obtained proper ownership over the Property, the Agency intends to sell the property and use the sales proceeds to pay enforceable obligations on future ROPS or remit the proceeds to the County Auditor-Controller (CAC) for distribution to the affected taxing entities (ATEs), making the ATEs whole for the RPTTF used to satisfy Greenhills. Therefore, the requested amount of \$262,667 in RPTTF is approved.

- Item No. 36 – Water District Assessment in the total outstanding amount of \$5,233. Finance partially approves this item. On April 29, 2021, the City transferred the subject property to the Agency. As a result, this item is an enforceable obligation of the Agency. However, the \$3,604 required for fiscal years 2019-20 and 2020-21 is not eligible because it has already been paid by the City. Therefore, Finance approves \$1,629 in RPTTF. As such, \$3,604 (\$5,233 - \$1,629) is not eligible for funding.

In addition, per Finance's letter dated April 14, 2021, we continue to make the following determinations not contested by the Agency during the Meet and Confer review:

- The administrative costs claimed are within the fiscal year administrative cap pursuant to HSC section 34171 (b) (3). However, Finance notes the 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 CAC's review of the PPA form submitted by the Agency.

The Agency's maximum approved RPTTF distribution for the reporting period is \$639,084, 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.

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 Michael Barr, 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

Approved RPTTF Distribution July 2021 through June 2022			
	ROPS A	ROPS B	Total
RPTTF Requested	\$ 683,918	\$ 0	\$ 683,918
Administrative RPTTF Requested	110,000	0	110,000
Total RPTTF Requested	793,918	0	793,918
RPTTF Requested	683,918	0	683,918
<u>Adjustment(s)</u>			
Item No. 9	(9,161)	0	(9,161)
Item No. 36	(3,604)	0	(3,604)
	(12,765)	0	(12,765)
RPTTF Authorized	671,153	0	671,153
Administrative RPTTF Authorized	110,000	0	110,000
ROPS 18-19 prior period adjustment (PPA)	(142,069)	0	(142,069)
Total RPTTF Approved for Distribution	\$ 639,084	\$ 0	\$ 639,084

ICC: Barr, Vermillion, Takagi-Galamba, McAllister, McCormick, Whitaker

Final Path: J:\Audits and Review\ROPS 21-22 Letters PDF

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