



April 10, 2013

Mr. Jim Taubert, Executive Director  
City of Madera  
428 East Yosemite Avenue  
Madera, CA 93638

Dear Mr. Taubert:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Madera Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14A) to the California Department of Finance (Finance) on February 25, 2013 for the period of July through December 2013. Finance has completed its review of your ROPS 13-14A, 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 do not qualify as enforceable obligations:

- Item Nos. 19, 20, 21, 26, and 31 – Various housing operation costs in the amount of \$52,699. According to the Agency, these are housing obligations that the Agency intended to fund with Low and Moderate Income Housing Funds (LMIHF). Finance disallowed balances requested to be retained for these obligations in the Agency's LMIHF Due Diligence Review. Therefore, there are no LMIHF funds available. Further, HSC section 34176 (a)(1) states if a city elects to retain the authority to perform housing functions previously performed by a redevelopment agency (RDA), all rights, powers, duties, obligations, and housing assets shall be transferred to the city as the housing successor. Since the City assumed the housing functions of the RDA, all housing administrative and operating costs associated with these functions are the responsibility of the housing successor. Therefore, these are housing obligations of the housing successor and are not eligible for Reserve Balance funding.
- Item No. 38 – Riverside Villas project in the amount of \$289,324. HSC section 34163 (b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011. It is our understanding that no contracts have been executed for the line item. Therefore, the item is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.
- Item No. 63 – 428 Yosemite Plaza related purchase order (PO) in the amount of \$6,109. A PO dated December 2010 showed that the RDA had ordered three benches and two trash receptacles for the property. According to the Agency, the order has not been received and the Agency never followed up with the vendor regarding the status of the

order. The PO prices quoted expired in January 2011 and no documentation was provided to demonstrate the status of the shipment and the expected delivery date. Therefore, this item is not an enforceable obligation and not eligible for Bond Proceeds funding.

- Item No. 82 – Elm and Yosemite Traffic Signal project in the amount of \$412,500. The Agency is requesting reserve balance funding for the project work that was originally part of a development agreement between the RDA and the developer. However, due to contamination found near the location, the work was delayed. The Agency is intending to put out to bid a contract for the remaining work for the traffic signal location and currently there is no expenditure contract in place. HSC section 34177 (b) allows reserves required for indentures, trust indentures, or similar documents governing the issuance of outstanding RDA bonds. The statute does not currently recognize contingent or unknown obligations, thus creation of reserves for the \$412,500 in anticipated project costs is not permissible. Funding may be allowed from RPTTF in a subsequent ROPS period once the expenditure contract has been established. Therefore, this item is not eligible for reserve balance funding at this time.
- Funding source change for various items. The Agency requested to change fund source from RPTTF to Reserve Balance for certain line items.
  - Item No 3: The Agency's request to reduce \$978,403 RPTTF funding to \$916,891 RPTTF and change \$61,512 to reserve balance is approved. The Agency intends to use the bond reserve approved on previous ROPS to make bond payments.
  - Item Nos. 4, 5, 6 and 7: The change in fund source is approved since these are bond related obligations and funds are available from the Agency's bond reserve funds.
  - Item Nos. 10, 24, 27, 38, and 83: The change in fund source from RPTTF to Reserve Balance is denied. The Agency's request to use unspent RPTTF received for ROPS III as "reserve funds" to pay Item Nos. 10, 24, 27, 38, and 83 on ROPS 13-14A is not allowed. Any unspent RPTTF remaining from the Agency's ROPS III RPTTF distribution will be applied as a "Prior Period Adjustment" by the County Auditor Controller (CAC) towards the Agency's approved ROPS 13-14B RPTTF amount. Further, any unobligated reserve funds was required to be remitted to the CAC for distribution to the taxing entities during Finance's Due Diligence Review determinations. Funding for these items remain RPTTF, as originally reported on ROPS 13-14A.

Except for items denied in whole or in part as enforceable obligations, Finance is not objecting to the remaining items listed on your ROPS 13-14A. This determination applies only to items where funding was requested for the six month period. If you disagree with the determination with respect to any items on your ROPS 13-14A, 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 Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is \$2,290,194 as summarized below:

<b>For the period of July through December 2013</b>	
Total RPTTF funding requested for obligations*	\$ 2,454,518
Minus: Six-month total for items denied or reclassified as administrative cost	
Item 38	289,324
Total approved RPTTF for enforceable obligations	\$ 2,165,194
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost	125,000
Minus: ROPS II prior period adjustment	0
<b>Total RPTTF approved for distribution:</b>	<b>\$ 2,290,194</b>

\*Balance reflects adjusted total after taking into account approved change in fund source from RPTTF to Reserve Balance for certain line items noted on page 2.

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2012 period. The amount of RPTTF approved in the above table includes the prior period adjustment that was self-reported by the Agency. HSC Section 34186 (a) also specifies that the prior period adjustments self-reported by successor agencies are subject to audit by the county auditor-controller (CAC) and the State Controller. Any proposed CAC adjustments were not received in time for inclusion in this letter. Therefore, the amount of RPTTF approved in the above table includes only the prior period adjustment that was self-reported by the Agency.

Please refer to the ROPS 13-14A schedule that was used to calculate the approved RPTTF amount:

[http://www.dof.ca.gov/redevelopment/ROPS/ROPS 13-14A Forms by Successor Agency/](http://www.dof.ca.gov/redevelopment/ROPS/ROPS%2013-14A%20Forms%20by%20Successor%20Agency/).

This is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2013. 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 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 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.

Mr. Jim Taubert  
April 10, 2013  
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Please direct inquiries to Beliz Chappuie, Supervisor or Todd Vermillion, Lead Analyst at  
(916) 445-1546.

Sincerely,

A handwritten signature in black ink, appearing to read 'Steve Szalay', with a long horizontal stroke extending to the left.

STEVE SZALAY  
Local Government Consultant

cc: Mr. Bob Wilson, Business Manager, City of Madera  
Mr. Jim Boyajian, Assistant Auditor-Controller, County of Madera  
California State Controller's Office