



May 17, 2013

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

Dear Mr. Taubert:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS 13-14A) letter dated April 10, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Madera Successor Agency (Agency) submitted a ROPS 13-14A to Finance for the period of July through December 2013. Subsequently, the Agency requested a Meet and Confer session on one or more of the items denied by Finance. The Meet and Confer session was held on April 22, 2013.

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 item being disputed.

- Item Nos. 19, 20, 21, 26, and 31 – Various Housing Operation Costs in the amount of \$52,699. Finance continues to deny these items. Finance denied the items as 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 of Madera (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. Finance continues to deny this item. The Agency contends that HSC section 34133 requires the Agency to construct replacement units. However, ABx1 26 and AB 1484 supersede HSC section 34133. Therefore, HSC section 34163 (b) which disallows Agencies to enter into new contracts after June 27, 2011 applies. It is our understanding that the Agency does not have contracts in place for this item.

Additionally, HSC section 34176 (a) (1) states if a city, county, or city and county elects to retain the authority to perform housing functions previously performed by a redevelopment agency, all rights, powers, duties, obligations, and housing assets shall be transferred to the city, county, or city and county. Therefore the obligation is the responsibility of the Housing Entity and not an enforceable obligation of the Agency.

- Item No. 82 – Elm and Yosemite Traffic Signal Project in the amount of \$412,500. After, submitting the OB approved ROPS, the Agency stated they would like to request RPTTF funding for this item. However, Finance denied this request as statute does not currently recognize contingent or unknown obligations, thus creation of reserves for anticipated project costs is not permissible.

The Agency provided a reimbursement agreement between the Madera Redevelopment Agency and Q/S Tozer Avenue, LLC (Owner). The agreement states the Agency shall only reimburse the Owner for work actually done or actually paid (e.g., reimbursement basis). Therefore, the obligation to enter into a contract with the contractor lies with the Owner, not the Agency. Once the construction is complete, the Agency may be allowed to request funding to reimburse the Owner. This item is not eligible for reserve balance funding.

- Funding source change for various items. The Agency requested to change fund source from Redevelopment Property Tax Trust Fund (RPTTF) to Reserve Balance for certain line items.
 - Item No 3 – The Agency's request to reduce \$978,403 RPTTF funding to \$504,891 RPTTF and change \$473,512 to reserve balance is approved. The Agency intends to use the bond reserve approved on previous ROPS to make bond payments.
 - Item Nos. 10, 24, 27, 38, and 83 – Finance continues to deny these items. The Agency's request to use unspent RPTTF received for ROPS III as "reserve funds" to pay Items No. 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 were 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.

In addition, per Finance's ROPS letter dated April 10, 2013, the following item continues to be denied and was not contested by the Agency:

- Item No. 63 – 428 Yosemite Plaza Purchase Order in the amount of \$6,109. A purchase order dated December 2010 showed that the RDA had ordered three benches and two trash receptacles. According to the Agency, the order has not been received and the Agency never thought to follow-up with the vendor regarding the status of the order. Obligation appears to be outdated and is not current. No documentation was provided to show 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.

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. Obligations deemed not to be enforceable shall be removed from your ROPS. This is Finance's final determination related to the enforceable obligations reported on your ROPS for July through December 2013. Finance's determination is effective for this time period only and should not be conclusively relied on 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 Agency's maximum approved RPTTF distribution for the reporting period is \$2,103,070 as summarized below:

Approved RPTTF Distribution Amount	
For the period of July through December 2013	
Total RPTTF funding requested for obligations	\$ 2,747,015
Minus: Six-month total for items denied or reclassified as reserve funding	
Item 3*	473,512
Item 38	289,324
Item 63	6,109
Total approved RPTTF for enforceable obligations	\$ 1,978,070
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost	125,000
Minus: ROPS II prior period adjustment	-
Total RPTTF approved for distribution:	\$ 2,103,070

* Reclassified as reserve balance funding

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 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.

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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.

Please direct inquiries to Wendy Griffe, Supervisor or Jenny DeAngelis, Lead Analyst at (916) 445-1546.

Sincerely,



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