



December 17, 2013

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

Dear Ms. Dueker:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated November 15, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Chowchilla Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14B) to Finance on October 1, 2013, for the period of January through June 2014. Finance issued a ROPS determination letter on November 15, 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 December 3, 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 items being disputed.

- Item No. 30 – Bond Funded Projects in the amount of \$1,647,270. Finance no longer denies this item. The Agency received a Finding of Completion on April 26, 2013 and is now permitted utilize proceeds derived from bonds issued prior to December 31, 2010 in a manner consistent with the original bond covenants. However, Finance initially denied this item as the Agency was not able to support the amounts requested for infrastructure improvement of Well Number 14 and water meters. During the Meet and Confer process, the Agency provided a breakdown of the remaining tasks to be completed for the project and the contracts to complete the work. Therefore, this item is approved for bond funding.

In addition, per Finance's letter dated November 15, 2013, we continue to deny the following items not contested by the Agency during the Meet and Confer:

- Item No. 6 – Legal fees related to the California High Speed Rail Authority in the amount of \$40,615. The agreement provided to Finance is between the City of Chowchilla (City) and Wulfsberg, Reese, Colvig, and Firstman. The former redevelopment agency (RDA) is neither a party to the agreement nor responsible for payment of the agreement. Therefore, this line item is not an enforceable obligation and not eligible for reserve funding.

- Item No. 15 – Annual housing reporting for California Department of Housing and Community Development in the amount of \$13,500. HSC section 34176 (a) (1) states if a city, county, or city and county elects to retain the authority to perform housing function previously performed by a redevelopment agency (RDA), all rights, powers, duties, obligations, and housing assets shall be transferred to the city, county, or city and county. Since the City assumed the housing function, the administrative costs associated with these functions are the responsibility of the housing successor. Therefore, these items are not enforceable obligations and are not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.
- Item No. 20 – Settlement agreement for Community Facilities District in the amount of \$55,990. HSC 34171 (d) (1) (F) defines agreements concerning litigation expense assets, settlements, and judgments as enforceable obligations. The Agency is requesting the levy due for each of the five fiscal years; however, the agreements state the Agency is only responsible for the levy due for the first three fiscal years. Therefore, the Agency is permitted to request funding for the sum of the first three fiscal years which is \$35,800. As was noted during Finance's ROPS 13-14A determination, the remaining two years' obligation of \$20,190 is the responsibility of the developer, not the former RDA. Therefore, \$20,190 is not eligible for RPTTF funding.
- Item No. 23 – Parking Lot Improvements in amount of \$60,000. The Agency provided documentation indicating agreements were executed between Fourth Street Partners, LLC (Developer) and the City, and did not demonstrate a financial obligation exists between the former RDA to the Developer. Furthermore, ROPS 13-14B lists the City as payee, not the third party developer; therefore this item is not an enforceable obligation and is not eligible for RPTTF funding.

Agency requested to retain ROPS III RPTTF balances as reserves. Since these balances are included in the Agency's prior period adjustment and will offset the next RPTTF distribution, Finance reclassified the funding source to RPTTF for the items that the Agency requested reserves for.

- Item Nos. 1, 2, 5, 11, 13, 14 and 29 – Various obligations of the Agency in the amount of \$370,080 and administrative expenses in the amount of \$101,340. The Agency requested a total of \$512,035 in reserve funding including Item No. 6 which was denied as noted above. Other than Item No. 6, these items were determined to be enforceable obligations of the Agency. Therefore, Finance is approving RPTTF in the amount of \$471,420 (\$512,035-\$40,615).

Pursuant to HSC Section 34186 (a), successor agencies were required to report the estimated obligations and actual payments (prior period adjustments) associated with the January through June 2013 period. The amount of RPTTF approved in the table below includes the PPA 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 table below includes only the prior period adjustment that was self-reported by the Agency.

Except for items denied in whole or in part as enforceable obligations or for items that have been reclassified, Finance is not objecting to the remaining items listed on your ROPS 13-14B.

The Agency's maximum approved RPTTF distribution for the reporting period is \$179,573 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2014	
Total RPTTF requested for non-administrative obligations	301,878
Total RPTTF requested for administrative obligations	-
Total RPTTF requested for obligations	\$ 301,878
Total RPTTF requested for non-administrative obligations 301,878	
<u>Denied Items</u>	
Item No. 15	(1,500)
Item No. 20	(20,190)
Item No. 23	(60,000)
	<u>(81,690)</u>
<u>Reclassified Items</u>	
Item No. 1	276,963
Item No. 2	25,000
Item No. 5	20,000
Item No. 11	35,000
Item No. 13	1,650
Item No. 14	11,467
	<u>370,080</u>
Total RPTTF approved for non-administrative obligations	590,268
Total RPTTF requested for administrative obligations	-
<u>Reclassified Items</u>	
Item No. 29	101,340
Total RPTTF for administrative obligations	101,340
Total RPTTF approved for obligations	691,608
ROPS III prior period adjustment	(512,035)
Total RPTTF approved for distribution	\$ 179,573

Pursuant to HSC section 34177 (l) (1) (E), agencies are required to use all available funding sources prior to RPTTF for payment of enforceable obligations. Beginning with the ROPS 13-14B period, Finance required successor agencies to identify fund balances for various types of funds in its possession. During our ROPS 13-14B review, Finance requested financial records to support the fund balances reported by the Agency; however, Finance was unable to reconcile the financial records to the amounts reported. As a result, Finance will continue to work with the Agency after the ROPS 13-14B review period to properly identify the Agency's fund balances. If it is determined the Agency possesses fund balances that are available to pay approved obligations, the Agency should request the use of these fund balances prior to requesting RPTTF in ROPS 14-15A.

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

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

This is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2014. This determination applies only to items where funding was requested for the six month period. 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 section 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 HSC section 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 Evelyn Suess, Dispute Resolution Supervisor, or Mary Halterman, Analyst, at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Assistant Program Budget Manager

cc: Mr. Mark Lewis, City Administrator, City of Chowchilla
Mr. Jim Boyajian, Assistant Auditor Controller, Madera County
California State Controller's Office