

November 6, 2013

Ms. Mari Jimenez, Financial Services Director
City of Coalinga
155 West Durian Avenue
Coalinga, CA 93210

Dear Ms. Jimenez:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Coalinga Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14B) to the California Department of Finance (Finance) on September 25, 2013 for the period of January through June 2014. Finance has completed its review of your ROPS 13-14B, 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 does not qualify as an enforceable obligation for the reasons specified:

- Claimed administrative costs exceed the allowance by \$42,000. HSC section 34171 (b) limits the fiscal year 2013-14 administrative expenses to three percent of property tax allocated to the Agency or \$250,000, whichever is greater. The Fresno County Auditor-Controller's Office did not distribute any funds for administrative costs for the July through December 2013 period, thus leaving a balance of \$250,000 available for the January through June 2014 period. Although \$292,000 is claimed for administrative costs, only \$250,000 is available pursuant to the cap. Therefore, \$42,000 of excess administrative cost is not allowed.

During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should be used prior to requesting RPTTF. Pursuant to HSC section 34177 (l) (1) (E), RPTTF may be used as a funding source, but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation. The Agency provided financial records that displayed available Other Funds balances totaling \$25,061.

Therefore, the funding source for the following item has been reclassified to Other Funds and in the amount specified below:

- Item No. 25 – ROPS 13-14A Item No. 1, 1993 B Refunding Tax Allocation Bonds, RPTTF Shortfall in the amount of \$25,061. The Agency requests \$46,491 of RPTTF; however, Finance is reclassifying \$25,061 to Other Funds funding. This item was

determined to be an enforceable obligation for the ROPS 13-14B period. However, the obligation does not require payment from property tax revenues and the Agency has \$25,061 in Other Funds. Therefore, Finance is approving RPTTF in the amount of \$21,430 and the use of Other Funds in the amount of \$25,061, totaling \$46,491 for Item No. 25.

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14B form the estimated obligations and actual payments (prior period adjustments) associated with the January through June 2013 period. 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. The amount of RPTTF approved in the below table includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

Except for the item that has been reclassified, Finance is not objecting to the remaining items listed on your ROPS 13-14B. If you disagree with the determination with respect to any items on your ROPS 13-14B, 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/

The Agency's maximum approved RPTTF distribution for the reporting period is \$616,513 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2014	
Total RPTTF requested for non-administrative obligations	409,736
Total RPTTF requested for administrative obligations	292,000
Total RPTTF requested for obligations	\$ 701,736
Total RPTTF requested for non-administrative obligations	409,736
<u>Reclassified Items</u>	
Item No. 25	(25,061)
Total RPTTF approved for non-administrative obligations	384,675
Total RPTTF allowable for administrative obligations (see Admin Cost Cap table below)	250,000
Total RPTTF approved for obligations	634,675
ROPS III prior period adjustment	(18,162)
Total RPTTF approved for distribution	\$ 616,513

Administrative Cost Cap Calculation	
Total RPTTF for 13-14A (July through December 2013)	1,233,426
Total RPTTF for 13-14B (January through June 2014)	409,736
Less approved unfunded obligations from prior periods	(222,351)
Total RPTTF for fiscal year 2013-14	1,420,811
Allowable administrative cost for fiscal year 2013-14 (Greater of 3% or \$250,000)	250,000
Administrative allowance for 13-14A (July through December 2013)	-
Allowable RPTTF distribution for administrative cost for ROPS 13-14B	250,000

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%2013-14B%20Forms%20by%20Successor%20Agency/).

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 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 Nichelle Thomas, Supervisor or Alex Watt, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Assistant Program Budget Manager

cc: Ms. Shannon Jensen, Economic Development Assistant, City of Coalinga
Mr. George Gomez, Accounting Financial Manager, Fresno County
California State Controller's Office