



December 17, 2013

Mr. Jim Taubert, Executive Director
Madera City
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) letter dated October 30, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the Madera City Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14B) to Finance on September 16, 2013, for the period of January through June 2014. Finance issued a ROPS determination letter on October 30, 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 November 19, 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 Nos. 38, 43, 66, and 67 – Bond Funded Projects in the amount of \$2,150,000. Finance no longer denies these items. The Agency received a Finding of Completion on May 7, 2013 and per HSC section 34179.4 is now permitted to utilize proceeds derived from bonds issued prior to January 1, 2011 in a manner consistent with the original bond covenants. Documentation provided during the original review supports the use of 2008 bond proceeds for these items. In addition, the Agency provided reasonable and supported estimates for the following projects:
 - Riverside Villas - \$330,000
 - Avenue 16 Landscape Project - \$160,000
 - Riverwalk Subdivision \$1,690,000

We note that the amounts requested are slightly higher than the estimates provided; however, we anticipate the Agency will provide actual amounts on future ROPS.

- Item No. 82 – Elm and Yosemite Traffic Signal in the amount of \$475,000. Finance continues to deny this item. Our review indicates that the Agency entered into an agreement with a third party on September 13, 2010. As outlined in section 404 of the agreement, the Agency shall bear the costs related to the design and construction of the traffic signal at the intersection of Yosemite and Elm. However, according to the

Yosemite/Elm Signalization Project estimate provided by the Agency, the funding source for the project is bond proceeds. We requested other documentation to support these costs should be eligible for RPTTF; however, the documentation was not received in time to be considered for this review. Therefore this item is not an enforceable obligation eligible for RPTTF. Since the Agency has received its Finding of Completion, it can utilize bond proceeds in a manner consistent with bond covenants; however, since this item has not been reviewed by the Oversight Board to determine if pre 2011 bond proceeds are available for use, it cannot be approved on this ROPS.

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 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 table below includes only the prior period adjustment that was self-reported by the Agency and the following adjustments made by Finance.

- Finance previously determined that during the January through June 2013 period (ROPS III), in Oversight Board (OB) Action 13-06, the Agency reclassified several items from RPTTF to reserve funds after receiving its RPTTF distribution. However, the Agency determined its ROPS III prior period adjustment (PPA) based on the items that were authorized for RPTTF after Finance's approval of the OB Action. The Agency was distributed and had available \$2,516,018 in non-administrative RPTTF. Therefore, the Agency's PPA in an amount of \$1,144,249 reflects the difference between ROPS III RPTTF available and ROPS III RPTTF expended (\$2,516,018 – 1,371,769).

Furthermore, the Agency contends it was authorized to reserve \$704,497 in RPTTF for ROPS 13-14A bond payments, during the ROPS 13-14A period. Upon review of the ROPS 13-14A letter, the Agency was permitted to expend \$704,497 in the Agency's own reserves and not ROPS III RPTTF during the ROPS 13-14A period. The letter clarifies that unexpended RPTTF during the ROPS III period will be included in the ROPS 13-14B PPA.

During the meet and confer the Agency claims the PPA amounts are not available and requested additional review of the PPA. The Agency's Other Funds and Accounts Due Diligence Review dated May 5, 2013 permitted the Agency to retain \$5,915,344 to satisfy the Recognized Obligations Payment Schedule (ROPS) for the June through December 2012 (ROPS II) and January through June 2013 (ROPS III) period. This amount included \$2,990,643 requested for line Item 99 on the ROPS III. This amount was not expended during ROPS III. These are the funds the Agency was permitted to use during ROPS 13-14A via OB Resolution 13-06. Our review indicates that the Agency did not fully expend the distribution provided by the County Auditor Controller for the ROPS III period as previously stated; therefore, the PPA for the unspent RPTTF remains unchanged.

To the extent the Agency used these funds to pay for items not listed on a ROPS or reported in the PPA, it should include these items on future ROPS for review.

Except for items denied in whole or in part as enforceable obligations, Finance is not objecting to the remaining items listed on your ROPS 13-14B. The Agency's maximum approved RPTTF distribution for the reporting period is \$724,744 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2014	
Total RPTTF requested for non-administrative obligations	2,218,993
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations	\$ 2,343,993
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Total RPTTF requested for non-administrative obligations	2,218,993
Denied Items	
Item No. 82	(475,000)
Total RPTTF approved for non-administrative obligations	1,743,993
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Total RPTTF requested for administrative obligations	125,000
Self-Reported ROPS III prior period adjustment (PPA)	(40,650)
Adjustment to ROPS III PPA	(1,103,599)
Total ROPS III PPA	(1,144,249)
Total RPTTF approved for distribution	\$ 724,744

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 Danielle Brandon, Analyst, at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Assistant Program Budget Manager

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