



April 15, 2014

Ms. Rosana Cimolino, Finance Director  
City of Fort Bragg  
416 North Franklin Street  
Fort Bragg, CA 95437

Dear Ms. Cimolino:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Fort Bragg Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15A) to the California Department of Finance (Finance) on March 4, 2014 for the period of July through December 2014. Finance has completed its review of your ROPS 14-15A, 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 for the reasons specified:

- Item No. 1 – 2004 Tax Allocation Bonds in the amount of \$7,133,475 is partially denied. HSC section 34171 (d) (1) (A) allows successor agencies to hold a reserve for debt service payments when the next property tax allocation will be insufficient to pay all obligations due under the provisions of the bond for the next payment due in the *following half* of the calendar year. Therefore, the request to fund payments due for the *first half* of the calendar year is not allowed. As such, \$97,042 excess requested for reserves is denied and \$108,958 requested for the debt service payment is allowed.
- Item Nos. 6 and 7 – Mill Site Remediation/Polanco and Environmental Oversight for Polanco in the amount of \$347,500 is not an enforceable obligation. It is our understanding the Agency participated in the Polanco Redevelopment Act to remediate the site in 2005. It is also our understanding; Agencies participating in the Polanco Redevelopment Act are to reimburse the Department of Toxic Substances Control (DTSC) and the Regional Board's oversight costs. However; the Agency does not own the property site; therefore the site remediation and environmental oversight is not a required obligation of the Agency. In addition; the Agency amended the environmental oversight consulting contract in 2014 due to a change in contactor; however the OB action was not submitted to Finance. HSC section 34163 (c) prohibits a redevelopment agency from amending or modifying existing agreements, obligations, or commitments with any entity for any purpose after June 27, 2011. Therefore, these line items are not enforceable obligations and are not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding on this ROPS.

Additionally, the Agency requested to increase the six-month funding amount for Item Nos. 6 and 7 by \$40,000. Since these items have been denied, the adjustment requested for each item is also denied.

- Item Nos. 8 and 10 – Polanco Administration Costs and Project Completion Administration costs related to the Mills Site totaling \$500,000. Since Items Nos. 6 and 7 are not enforceable, the staff, legal, and engineering costs associated with this project are not necessary. Therefore, Item Nos. 8 and 10 are not enforceable obligations and not eligible for RPTTF funding on this ROPS.
- Item No. 15 – Contract with Economic Development Financing Corporation in the amount of \$117,500. The agreement expired on June 30, 1997. Therefore, this item is not an enforceable obligation and not eligible for RPTTF funding.

The administrative costs claimed are within the fiscal year administrative cap pursuant to HSC section 34171 (d). However, Finance notes the oversight board has approved an amount that appears excessive, given the number and nature of the other obligations listed on the ROPS. HSC section 34179 (i) requires the oversight board to exercise a fiduciary duty to the taxing entities. Therefore, Finance encourages the oversight board to apply adequate oversight when evaluating the administrative resources required to successfully wind-down the Agency.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 14-15A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2013 period. The amount of RPTTF approved in the table below includes the prior period adjustment self-reported by the Agency. HSC section 34186 (a) also specifies 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 only includes the prior period adjustment self-reported by the Agency.

Except for the items denied in whole or in part as enforceable obligations, Finance is not objecting to the remaining items listed on your ROPS 14-15A. If you disagree with the determination with respect to any items on your ROPS 14-15A, 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 RPTTF distribution for the reporting period is \$535,432 as summarized below:

<b>Approved RPTTF Distribution</b>	
<b>For the period of July through December 2014</b>	
Total RPTTF requested for non-administrative obligations	604,602
Total RPTTF requested for administrative obligations	125,000
<b>Total RPTTF requested for obligations</b>	<b>\$ 729,602</b>
<b>Total RPTTF requested for non-administrative obligations</b>	<b>604,602</b>
<u>Denied Items</u>	
Item No. 1	(97,042)
Item No. 6	(35,000)
Item No. 8	(25,000)
Item No. 10	(15,000)
Item No. 15	(4,700)
	(176,742)
<b>Total RPTTF authorized for non-administrative obligations</b>	<b>\$ 427,860</b>
<b>Total RPTTF authorized for administrative obligations</b>	<b>\$ 125,000</b>
<b>Total RPTTF authorized for obligations</b>	<b>\$ 552,860</b>
ROPS 13-14A prior period adjustment	(17,428)
<b>Total RPTTF approved for distribution</b>	<b>\$ 535,432</b>

Please refer to the ROPS 14-15A schedule that was used to calculate the approved RPTTF amount:

<http://www.dof.ca.gov/redevelopment/ROPS>

Absent a Meet and Confer, this is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2014. This determination only applies 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.

Ms. Rosana Cimolino

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Please direct inquiries to Kylie Oltmann, Supervisor or Hugo Lopez, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD

Assistant Program Budget Manager

cc: Ms. Linda Ruffing, City Manager, City of Fort Bragg  
Ms. Meredith J Ford, Auditor-Controller, Mendocino County  
California State Controller's Office