



May 16, 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

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 15, 2014. 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 Finance on March 4, 2014, for the period of July through December 2014. Finance issued a ROPS determination letter on April 15, 2014. 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 May 6, 2014.

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. 6 and 7 – Mill Site Remediation/Polanco and Environmental Oversight for Polanco in the amount of \$347,500 is not an enforceable obligation. Finance continues to deny these items. It is our understanding the Agency participated in the Polanco Redevelopment Act to remediate the site in 2005. It is also our understanding that agencies participating in the Polanco Redevelopment Act are to reimburse the Department of Toxic Substances Control (DTSC) and the Regional Water Board's oversight costs. Finance initially denied these items as 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 Oversight Board (OB) action was not submitted to Finance. HSC section 34163 (c) prohibits a redevelopment agency (RDA) from amending or modifying existing agreements, obligations, or commitments with any entity for any purpose after June 27, 2011. During the Meet and Confer process, the Agency provided various resolutions, agreements, and amendments related to each of these items.

For Item No. 6, the Agency entered into an environmental oversight consulting contract in 2014 with a new contactor; however, the OB action was not submitted to Finance for review. HSC section 34177.3 (a) states that successor agencies shall lack the authority to, and shall not, create new enforceable obligations, except in compliance with an

enforceable obligation that existed prior to June 28, 2011. The Agency has not provided any documentation to show that this new contract is required pursuant to an enforceable obligation, as defined in HSC section 34171 (d) (1), existing prior to June 28, 2011. During the Meet and Confer process, the Agency contended that even if work cannot be completed under a new contract, the original contract is still valid. However, the original contract has expired and was amended by the former RDA without authority; the Fourth Amendment to the original contract was entered into by the former RDA on November 28, 2011 for services to be provided April 2011 through March 2012. The term extension under this amendment has expired and HSC section 34163 (c) prohibited a RDA from amending or modifying existing agreements, obligations, or commitments with any entity for any purpose after June 27, 2011. Therefore, this item is not an enforceable obligation and is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.

For Item No. 7, the Agency contended that an agreement with DTSC has been executed to reimburse DTSC for its expenses. However, the November 1, 2007 agreement between DTSC and the former RDA expired on November 1, 2010. Additionally, the March 1, 2013 agreement is between DTSC and the City of Fort Bragg (City) and is not an obligation of the Agency. Therefore, this item is not an enforceable obligation and is not eligible for RPTTF funding.

Additionally, the Agency requested to increase the six-month funding amount for Item Nos. 6 and 7 by \$40,000. However, because 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 Mill Site totaling \$500,000. Finance continues to deny these items. Finance initially denied these items because Item No. 6 is not enforceable; therefore, the staff, legal, and engineering costs associated with this project are not necessary.

During the Meet and Confer process, the Agency contended that Item No. 8 is necessary for the oversight of Item No. 6. However, since Finance continues to deny Item No. 6, the oversight costs for the project are also denied. Therefore, Item No. 8 is not an enforceable obligation and is not eligible for RPTTF funding.

Additionally, the Agency contended that Item No. 10 is not related to the Agency's oversight responsibilities of Item No. 6. The Agency provided a Cost Advancement and Reimbursement Agreement executed August 2008 and amended October 2009 between the former RDA, the City, and Georgia Pacific LLC. Under this agreement, Georgia Pacific is to advance funds to the City and the Agency, which the City and the Agency is to use pursuant to the agreement for the processing of the Mill Site development applications. The Agency has not reported that it is in possession of any such funds pursuant to this agreement, nor has the Agency provided any documents showing that funds will be advanced by Georgia Pacific during the ROPS 14-15A period for purposes of the agreement. To the extent Georgia Pacific advances funds in the future for purposes of the agreement, the Agency may request the use of those funds on future ROPS from Other Funds. Therefore, this item is not eligible for RPTTF funding.

In addition, per Finance's letter dated April 15, 2014, we continue to deny the following items not contested by the Agency during the Meet and Confer:

- 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 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. The Agency's maximum approved RPTTF distribution for the reporting period is \$535,432 as summarized in the following table:

Approved RPTTF Distribution	
For the period of July through December 2014	
Total RPTTF requested for non-administrative obligations	604,602
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations	\$ 729,602
Total RPTTF requested for non-administrative obligations	604,602
Denied Items	
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)
Total RPTTF authorized for non-administrative obligations	\$ 427,860
Total RPTTF authorized for administrative obligations	\$ 125,000
Total RPTTF authorized for obligations	\$ 552,860
ROPS 13-14A prior period adjustment	(17,428)
Total RPTTF approved for distribution	\$ 535,432

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

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

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
May 16, 2014
Page 5

Please direct inquiries to Evelyn Sues, Dispute Resolution Supervisor, or Mary Halterman, 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