

October 30, 2014

Ms. Melissa Whitten, City Manager  
City of Avenal  
919 Skyline Boulevard  
Avenal, CA 93204

Dear Ms. Whitten:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Avenal Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15B) to the California Department of Finance (Finance) on September 18, 2014 for the period of January 1 through June 30, 2015. Finance has completed its review of your ROPS 14-15B, which may have included obtaining clarification for various items.

Based on a sample of line items reviewed and application of the law, Finance made the following determinations:

- Item No. 3 – Bond Legal Counsel in the amount of \$35,000 is not allowed. It is our understanding the agreement entered into on June 28, 1990 was by and between the City of Avenal and Michael L. Farley of Farley & DeSantos. The former redevelopment agency (RDA) is not a party to the contract. Furthermore, total administrative costs claimed for the fiscal year exceeds the allowance as discussed below. Therefore, this line item is not an enforceable obligation and is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.
- Item No. 6 – Administrative payroll cost in the amount of \$100,000 is not allowed. Claimed administrative costs exceed the allowance by \$100,000. The HSC section 34171 (b) limits the fiscal year administrative expenses to three percent of property tax allocated to the Agency or \$250,000, whichever is greater. The Kings County Auditor-Controller's Office distributed \$250,000 during ROPS 14-15A, thus leaving a balance of \$0 available for the January through June 2015 period. Therefore, \$100,000 of excess administrative cost is not allowed.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 14-15B form the estimated obligations and actual payments (prior period adjustments) associated with the January through June 2014 period. The amount of RPTTF approved in the table below reflects 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. Proposed CAC adjustments were not received in time for inclusion in this letter; therefore, the

amount of RPTTF approved in the table below only reflects the prior period adjustment self-reported by the Agency.

Except for the item denied in whole and the item that has been reclassified, Finance is not objecting to the remaining items listed on your ROPS 14-15B. If you disagree with the determination with respect to any items on your ROPS 14-15B, 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 \$76,375 as summarized in the Approved RPTTF Distribution Table below:

<b>Approved RPTTF Distribution</b>	
<b>For the period of January through June 2015</b>	
Total RPTTF requested for non-administrative obligations	76,375
Total RPTTF requested for administrative obligations	135,000
<b>Total RPTTF requested for obligations on ROPS</b>	<b>\$ 211,375</b>
<b>Total RPTTF requested for non-administrative obligations</b>	<b>76,375</b>
<b>Total RPTTF authorized for non-administrative obligations</b>	<b>\$ 76,375</b>
<b>Total RPTTF requested for administrative obligations</b>	<b>135,000</b>
<u>Denied Item</u>	
Item No. 3	(35,000)
Item No. 6	(100,000)
	(135,000)
<b>Total RPTTF authorized for administrative obligations</b>	<b>\$0</b>
<b>Total RPTTF authorized for obligations</b>	<b>\$ 76,375</b>
ROPS 13-14B prior period adjustment	
<b>Total RPTTF approved for distribution</b>	<b>\$ 76,375</b>

Please refer to the ROPS 14-15B 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 January 1 through June 30, 2015. 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 the 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 agency in the RPTTF.

Pursuant to HSC section 34177 (a) (3), only those payments listed on an approved ROPS may be made by the successor agency from the funds specified in the ROPS. However, if for whatever reason the Agency needs to make payments for approved obligations from another funding source, HSC section 34177 (a) (4) requires the Agency to first obtain oversight board approval.

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 Beliz Chappuie, Supervisor or Chikako Takagi-Galamba, Manager at (916) 445-1546.

Sincerely,



JUSTYN HOWARD  
Acting Program Budget Manager

cc: Ms. Esther O. Strong, Administrative Analyst, City of Avenal  
Ms. Cassandra Mann, Property Tax Manager, Kings County  
California State Controller's Office