

December 17, 2014

Ms. Sherri Dueker, Accounting Manager
City of Chowchilla
130 South Second Street
Chowchilla, CA 93610

Dear Ms. Dueker:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated November 17, 2014. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Chowchilla Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15B) to Finance on October 3, 2014, for the period of January through June 2015. Finance issued a ROPS determination letter on November 17, 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 December 2, 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.

- 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 and adjusted by Finance. Based on a review of the Agency's Prior Period Adjustment form, Finance noted that the Available RPTTF for Non-Admin approved obligations should have included the prior period adjustment of \$512,035 from ROPS III as listed on the ROPS 13-14B final determination letter that offset the distribution by CAC. After including \$512,035 of additional RPTTF funds available, the Agency's prior period adjustment has increased from \$16,469 to \$386,699.

During the Meet and Confer process, the Agency contended that the \$512,035 prior period adjustment for ROPS III was already accounted for in the ROPS 13-14B approved distribution and should not be accounted for again. However, based on information self-reported by the Agency, the Agency did not expend the full amount available from the RPTTF during the ROPS 13-14B period, which includes amounts available from the ROPS III prior period adjustment. Therefore, any unexpended amounts from both the ROPS 13-14B RPTTF distribution and the ROPS III prior period

adjustment should continue to be available for expenditure and included in the ROPS 13-14B prior period adjustment calculation for the ROPS 14-15B period.

In the ROPS 13-14B period, Finance approved \$691,608 to be funded from the RPTTF. Based on the Agency's self-reported prior period adjustment for the ROPS III period, there was \$512,035 remaining from the ROPS III RPTTF distribution. However, based on additional information provided during the Meet and Confer process, the Agency's self-reported prior period adjustment was overstated by \$268,937 and should have been \$243,098.

Based on the original self-reported prior period adjustment, the actual RPTTF distribution for ROPS 13-14B from the CAC was \$179,573 (\$691,608 - \$512,035), which resulted in the Agency having \$422,671 (\$243,098 + \$179,573) available from the RPTTF for the ROPS 13-14B period. Based on the Agency's self-reported prior period adjustment for the ROPS 13-14B period, actual expenditures from the RPTTF was \$304,909, which results in a revised self-reported prior period adjustment of \$117,762 (available RPTTF of \$422,671 less actual expenditures of \$304,909) for the ROPS 14-15B period.

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 revised prior period adjustment self-reported by the Agency.

In addition, per Finance's letter dated November 17, 2014, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

- Item No. 3 – Property Tax Administration in the amount of \$28,000 is not allowed. HSC section 34182 (e) allows the County Auditor-Controller (CAC) to deduct their administration costs prior to distributing property tax increment funds. Therefore, this item is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.
- Item No. 12 – Liability Insurance Premium in the amount of \$4,091. Although enforceable, liability insurance costs are considered general administrative costs and have been reclassified.

Except for the item denied in whole or in part and the item that has been reclassified, Finance is not objecting to the remaining items listed on your ROPS 14-15B. The Agency's maximum approved RPTTF distribution for the reporting period is \$205,842 as summarized in the Approved RPTTF Distribution Table below:

Approved RPTTF Distribution For the period of January through June 2015	
Total RPTTF requested for non-administrative obligations	226,604
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations on ROPS	\$ 351,604
Total RPTTF requested for non-administrative obligations	226,604
<u>Denied Item</u>	
Item No. 3	(28,000)
	(28,000)
<u>Reclassified Item</u>	
Item No. 12	(4,091)
	(4,091)
Total RPTTF authorized for non-administrative obligations	\$ 194,513
Total RPTTF requested for administrative obligations	125,000
<u>Reclassified Item</u>	
Item No.12	4,091
	4,091
Total RPTTF authorized for administrative obligations	\$ 129,091
Total RPTTF authorized for obligations	\$ 323,604
Self-reported ROPS 13-14B prior period adjustment (PPA)	(16,469)
Finance adjustment to ROPS 13-14B PPA	(101,293)
Total ROPS 13-14B PPA	(117,762)
Total RPTTF approved for distribution	205,842

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. During the ROPS 14-15B review, Finance requested financial records to support the cash balances reported by the Agency; however, the Agency was unable to support the amounts reported. The Agency failed to respond to Finance's request for trial balances. As a result, Finance will continue to work with the Agency after the ROPS 14-15B review period to properly identify the Agency's cash balances. If it is determined the Agency possesses cash balances that are available to pay approved obligations, the Agency should request the use of these cash balances prior to requesting RPTTF in ROPS 15-16A.

Please refer to the ROPS 14-15B 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 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 Evelyn Suess, Dispute Resolution Supervisor, or Mary Halterman, Analyst, at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Acting Program Budget Manager

cc: Mr. Rod C. Pruett, Director of Finance, City of Chowchilla
Mr. Jim Boyajian, Assistant Auditor Controller, Madera County
California State Controller's Office