



December 17, 2014

Mr. Pio Martin, Finance Director
City of Firebaugh
1133 P Street
Firebaugh, CA 93622

Dear Mr. Martin:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated November 3, 2014. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Firebaugh Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15B) to Finance on September 23, 2014, for the period of January through June 2015. Finance issued a ROPS determination letter on November 3, 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 November 17, 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 item being disputed.

- Item No. 25 – Land Acquisition costs totaling \$1,089,380 were not allowed. Finance no longer denies this item. Finance initially denied this item because it was our understanding these costs were already paid with bond proceeds. During the Meet and Confer process, the Agency contended that land acquisition costs are an eligible use of the 2005 Tax Allocation Bond proceeds. Based on further review, the Agency received a Finding of Completion on April 26, 2013, to utilize proceeds derived from bonds issued prior to January 1, 2011 in a manner consistent with the original bond covenants per HSC section 34191.4 (c). Therefore, to the extent pre-2011 bond proceeds are available for use and land acquisition costs are an eligible use of the proceeds, this item may qualify as an excess bond proceeds obligation.

In addition, per Finance's letter dated November 3, 2014, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

- The administrative costs claimed are within the fiscal year administrative cap pursuant to HSC section 34171 (b). However, Finance notes the oversight board has approved an amount that appears excessive, given the number and nature of the 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 14-15B form the estimated obligations and actual payments (prior period adjustments) associated with the January through June 2014 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 Redevelopment Property Tax Trust Funds (RPTTF) approved in the table below reflects the prior period adjustment self-reported by the Agency, as adjusted by Finance as follows:

- During our review of the Agency's Prior Period Adjustment (PPA) Report, Finance noted the Agency failed to correctly report \$18,181 approved and expended during the ROPS 14-15A period. As a result of our review, Finance is hereby adjusting the PPA reported on the ROPS14-15B form by \$18,181 from \$59,254 to \$41,073.

Except for the item denied in whole or in part, 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 \$272,151 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	188,224
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations on ROPS	\$ 313,224
Total RPTTF authorized for non-administrative obligations	188,224
Total RPTTF authorized for administrative obligations	125,000
Total RPTTF authorized for obligations	\$ 313,224
Self-reported ROPS 13-14B prior period adjustment (PPA)	\$ (59,254)
Finance adjustment to ROPS 13-14B PPA	\$ 18,181
Total ROPS 13-14B PPA	\$ (41,073)
Total RPTTF approved for distribution	\$ 272,151

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 reported a cash balance of \$1,398,442 as of June 30, 2014 during this ROPS. However, financial records obtained from the Agency indicate a cash balance of \$1,623,214 at June 30, 2014, a difference of \$224,772. After working with the Agency, Finance was unable to determine the reason for the variance. 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: Ms. Tara Matthews, Consultant, Rosenow Spevacek Group, City of Firebaugh
Mr. George Gomez, Accounting Financial Manager, Fresno County
California State Controller's Office