



November 5, 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 14-15B) to the California Department of Finance (Finance) on September 26, 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 Nos. 1 and 19 – 2004 Tax Allocation Bonds and Bond reserves in the amount of \$314,000 have been partially denied. The Agency requests \$205,000 and \$109,000 for Item Nos. 1 and 19 respectively; however the repayment schedule for the 2004 Tax Allocation Bonds shows payments of \$203,958 due in the ROPS 14-15B period and \$106,440 due in the ROPS 15-16A period. Therefore these amounts have been approved and the excess amounts of \$1,042 and \$2,560 have been denied and are not eligible for Redevelopment Property Tax Trust Fund (RPTTF) on this ROPS.
- Item No. 4 – Interagency loan repayment in the amount of \$543,500 is partially denied. The Agency received a Finding of Completion on October 10, 2013. As such, the Agency may place loan agreements between the former redevelopment agency and sponsoring entity on the ROPS, as an enforceable obligation, provided the oversight board makes a finding the loan was for legitimate redevelopment purposes per HSC section 34191.4 (b) (1). Pursuant to the repayment formula which is outlined under HSC section 34191.4 (b) (2) (A), the maximum repayment amount authorized for fiscal year 2014-15 is \$277,696. It is our understanding the Agency funded a total of \$167,142 in loan repayments during ROPS 14-15A. Therefore, of the \$543,500 requested, \$110,554 is approved and the excess of \$432,946 is not eligible for RPTTF funding on this ROPS.

Further, the Agency confirmed that the total outstanding balance for this line item should be reduced from \$543,500 to \$315,251.

- Item No. 5 – Interagency loan repayment in the amount of \$111,619. The Agency confirmed that the total outstanding balance for this line item should be reduced from \$111,619 to \$85,133. Further, the loan has been fully paid off during ROPS 14-15A. Therefore, the item is not eligible for RPTTF funding.
- Item No. 12 – Project Completion Administration costs in the amount of \$46,000 is denied. This line item is related to project management costs related to the Noyo Center Project. This property is not owned by the Agency and any project costs associated with this property are not an obligation of the Agency. Therefore, this line item is not eligible for RPTTF funding.
- Item No. 18 – Staff costs & administration costs in the amount of \$125,000. The Agency requested to increase the requested amount from \$125,000 to \$250,000.
- Item No. 20 – Loan from City of Fort Bragg (City) in the amount of \$237,520 is partially denied. The Agency contends that they had shortfall in the amount of \$237,520 on the ROPS 13-14B period and received a City loan to cover the shortfall pursuant to Oversight Board Resolution No. 2014-07. However, the Agency received a RPTTF distribution of \$300,423 and had a ROPS III Prior Period Adjustment of \$169,474, resulting in a total of \$469,897 available to pay enforceable obligations. The Agency reported actual expenditures of \$548,173 during ROPS 14-15B. Therefore, the corrected shortfall amount of \$78,276 ($548,173 - 469,897$) is approved and the excess of \$159,244 is not eligible for RPTTF funding on this ROPS.
- Claimed administrative costs exceed the allowance by \$5,000. HSC section 34171 (b) limits fiscal year 2014-15 administrative expenses to three percent of property tax allocated to the successor agency or \$250,000, whichever is greater. As a result, the Agency is eligible for \$250,000 in administrative expenses. The Mendocino County Auditor-Controller's Office did not distribute administrative costs for the July through December 2014 period, thus leaving a balance of \$250,000 available for the January through June 2015 period. Although \$250,000 is claimed for administrative cost, Item No. 14 for Agency Audit in the amount of \$5,000 is considered an administrative expense and should be counted toward the cap. Therefore, \$5,000 of excess administrative cost is not allowed.

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. 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 items denied in whole or in part or 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/

The Agency's maximum approved RPTTF distribution for the reporting period is \$752,428 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	1,260,839
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations on ROPS	\$ 1,385,839
RPTTF adjustment to non-administrative obligations	0
RPTTF adjustment to administrative obligations	125,000
Total RPTTF adjustments	\$ 125,000
Total RPTTF requested for non-administrative obligations	1,260,839
<u>Denied Items</u>	
Item No. 1	(1,042)
Item No. 4	(432,946)
Item No. 5	(111,619)
Item No. 12	(46,000)
Item No. 19	(2,560)
Item No. 20	(159,244)
	(753,411)
<u>Reclassified Item</u>	
Item No. 14	(5,000)
Total RPTTF authorized for non-administrative obligations	\$ 502,428
Total RPTTF requested for administrative obligations	250,000
<u>Reclassified Item</u>	
Item No. 14	5,000
Administrative costs in excess of the cap (see Admin Cost Cap table below)	(5,000)
Total RPTTF authorized for administrative obligations	\$ 250,000
Total RPTTF authorized for obligations	\$ 752,428
Self-reported ROPS 13-14B prior period adjustment (PPA)	0
Total RPTTF approved for distribution	\$ 752,428

Administrative Cost Cap Calculation	
Total RPTTF for 14-15A (July through December 2014)	352,162
Total RPTTF for 14-15B (January through June 2015)	502,428
Less approved unfunded obligations from prior periods	(78,276)
Total RPTTF for fiscal year 2014-2015	776,314
Allowable administrative cost for fiscal year 2014-15 (Greater of 3% or \$250,000)	250,000
Administrative allowance for 14-15A (July through December 2014)	0
Allowable RPTTF distribution for administrative cost for ROPS 14-15B	250,000
Total RPTTF administrative obligations after Finance adjustments	255,000
Administrative costs in excess of the cap	\$ (5,000)

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.

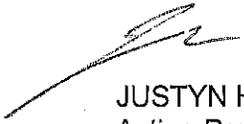
Pursuant to HSC section 34177 (a) (3), only those payments listed on an approved ROPS may be made by the successor agency from the funds specified in the ROPS. However, if for whatever reason the Agency needs to make payments for approved obligations from another funding source, HSC section 34177 (a) (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 Cindie Lor, Supervisor or Hugo Lopez, Lead Analyst at (916) 445-1546.

Ms. Rosana Cimolino
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Sincerely,



JUSTYN HOWARD
Acting 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