

November 17, 2014

Mr. Jack Castro, Finance Director  
City of Huron  
36311 South Lassen Avenue  
Huron, CA 93234

Dear Mr. Castro:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Huron Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15B) to the California Department of Finance (Finance) on October 3, 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:

- Claimed administrative costs exceed the allowance by \$47,600. HSC section 34171 (b) limits fiscal year 2014-2015 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 Fresno Auditor-Controller's Office distributed \$148,800 for the July through December 2014 period, thus leaving a balance of \$101,200 available for the January through June 2015 period. Although \$148,800 is claimed for administrative costs, only \$101,200 is available pursuant to the cap. Therefore, \$47,600 of excess administrative cost is not allowed.
- 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. However, Finance notes the Agency improperly reported the available amount of the Administrative Cost Allowance. After making the correction, the Agency's self-reported prior period adjustment was reduced to \$551.

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, as adjusted by Finance.

[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 \$231,831 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	131,182
Total RPTTF requested for administrative obligations	148,800
<b>Total RPTTF requested for obligations on ROPS</b>	<b>\$ 279,982</b>
<b>Total RPTTF authorized for non-administrative obligations</b>	<b>131,182</b>
<b>Total RPTTF requested for administrative obligations</b>	<b>148,800</b>
Administrative costs in excess of the cap (see Admin Cost Cap table below)	(47,600)
<b>Total RPTTF authorized for administrative obligations</b>	<b>101,200</b>
<b>Total RPTTF authorized for obligations</b>	<b>\$ 232,382</b>
Self-reported ROPS 13-14B prior period adjustments	(64,832)
Finance adjustment to ROPS 13-14B PPA	64,281
Total ROPS 13-14B PPA	(551)
<b>Total RPTTF approved for distribution</b>	<b>\$ 231,831</b>
<b>Administrative Cost Cap Calculation</b>	
Total RPTTF for 14-15A (July through December 2014)	319,326
Total RPTTF for 14-15B (January through June 2015)	231,831
<b>Total RPTTF for fiscal year 2014-2015</b>	<b>551,157</b>
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)	148,800
<b>Allowable RPTTF distribution for administrative cost for ROPS 14-15B</b>	<b>101,200</b>
Total RPTTF administrative obligations after Finance adjustments	148,800
<b>Administrative costs in excess of the cap</b>	<b>\$ (47,600)</b>

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 beginning balances for RPTTF could not be supported by the Agency's financial records. 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 Nichelle Thomas, Supervisor or Alexander Watt, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD  
Acting Program Budget Manager

cc: Ms. Carolina Camacho, Accounting Supervisor, City of Huron  
Mr. George Gomez, Accounting Financial Manager, Fresno County  
California State Controller's Office