



December 17, 2014

Mr. Jim Taubert, Executive Director
City of Madera
428 East Yosemite Avenue
Madera, CA 93638

Dear Mr. Taubert:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated October 31, 2014. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Madera Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15B) to Finance on September 16, 2014, for the period of January through June 2015. Finance issued a ROPS determination letter on October 31, 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 13, 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.

- Item No. 48 – Bond funded project totaling \$140,000. Finance no longer denies this item; however, with the Agency's concurrence, this item is reduced to \$70,000. During the meet and confer the Agency provided additional documentation to support that \$70,000 would be expended within the ROPS 14-15B period. We note the bond proceeds requested are derived from bonds issued in 2003 and 2008.
- Item Nos. 75, 76, 77, 78, and 153 – Bond funded projects totaling \$417,066. Finance no longer denies these items. During the meet and confer, the Agency provided additional information including a cost allocation plan and engineers' estimates to support the amount requested. Therefore, these items may be paid from bond proceeds during the ROPS 14-15B period. We note the bond proceeds requested are derived from bonds issued in 2003 and 2008.
- Item No. 150 – Remodel 5. E Yosemite in the amount of \$113,500. Finance no longer denies this item. Finance originally denied this item because Oversight Board (OB) Resolution No. 14-11 only approved an agreement with SIM Architects in the amount of \$6,500 for Architectural services related to the 5 E. Yosemite Avenue project. However, during the meet and confer the Agency clarified that the requested \$120,000 in bond proceeds includes the cost of construction as well as the fees for

the SIM Architects contract. In addition, the Agency provided an estimate for the rehabilitation of the existing building. We also note that the Agency received a Finding of Completion on May 7, 2013 and is now permitted to expend excess pre-2011 bond proceeds pursuant to HSC section 34191.4 (c)(1). The bond proceeds requested are derived from bonds issued in 2003 and 2008.

- Item No. 151 – Loan from City of Madera (City) for September 2014 Bond Payment in the amount of \$369,217. Finance no longer denies this item. The Agency submitted OB Resolution No. 14-10, acknowledging a loan from the City to the Agency for debt service payments. Finance approved OB Resolution No. 14-10 in our revised letter dated December 17, 2014. Based on our review of the Agency's Redevelopment Property Tax Trust Fund (RPTTF) distribution for the previous ROPS periods, the Agency did not retain sufficient Reserve Balances to pay the debt service payment in the July through December 2014 ROPS period. Therefore, this item is eligible for RPTTF in the amount of \$369,217.

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 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 \$2,324,970 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 | 2,218,067 |
| Total RPTTF requested for administrative obligations | 125,000 |
| Total RPTTF requested for obligations on ROPS | \$ 2,343,067 |
| Total RPTTF requested for non-administrative obligations | 2,218,067 |
| Total RPTTF authorized for non-administrative obligations | \$ 2,218,067 |
| Total RPTTF requested for administrative obligations | 125,000 |
| Total RPTTF authorized for administrative obligations | \$ 125,000 |
| Total RPTTF authorized for obligations | \$ 2,343,067 |
| ROPS 13-14B prior period adjustment | (18,097) |
| Total RPTTF approved for distribution | \$ 2,324,970 |

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

reports cash net of current liabilities. 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 Danielle Brandon, Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Acting Program Budget Manager

cc: Mr. Bob Wilson, Business Manager, Madera City
Mr. Jim Boyajian, Assistant Auditor Controller, Madera County
California State Controller's Office