



May 15, 2015

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 April 6, 2015. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Chowchilla Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 15-16A) to Finance on February 27, 2015, for the period of July through December 2015. Finance issued a ROPS determination letter on April 6, 2015. Subsequently, the Agency requested a Meet and Confer session on one or more of the determinations made by Finance. The Meet and Confer session was held on April 13, 2015.

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 determinations being disputed.

- Item No. 32 –Loan from the City of Chowchilla (City) General Fund in the amount of \$359,281. Finance continues to deny \$27,048 of this item. HSC section 34171 (d) (1) (B) defines loans as monies borrowed to the extent legally required to be repaid pursuant to a repayment schedule or other mandatory loan terms. Finance initially denied this item because the Agency was unable to provide a loan agreement between the City and the Agency or approval of the loan by the Oversight Board.

During the Meet and Confer process, the Agency contended that insufficient funds were received from the Madera County Auditor-Controller (CAC) to meet debt service obligations, as well as other obligations, and the City used General Fund resources to meet the obligations. Based on a review of the approved, distributed, and expended amounts, Finance notes the following:

- For the July through December 2012 ROPS period (ROPS II), Finance approved \$621,196 to be funded from the Redevelopment Property Tax Trust Fund (RPTTF) and \$147,000 to be funded from Other Funds. The Agency reported receiving \$291,863 from the CAC for the ROPS II period, which resulted in a \$329,333 RPTTF shortfall. However, it should be noted that in the Other Funds and Accounts (OFA) Due Diligence Review (DDR), the Agency retained all cash balances totaling \$456,356 to be used in the ROPS II period. The Agency

reported total expenditures of \$453,307 from the RPTTF and Other Funds. Therefore, the Agency did not have a funding shortfall in the ROPS II period and should have \$3,049 remaining from the OFA DDR balances retained.

- For the January through June 2013 ROPS period (ROPS III), Finance approved \$976,130 and the CAC distributed \$675,182 from the RPTTF, which resulted in a \$300,948 funding shortfall. The Agency incurred actual expenditures totaling \$457,095. Therefore, the Agency did not have a funding shortfall in the ROPS III period and should have \$218,087 remaining from the RPTTF distribution.
- For the July through December 2013 ROPS period (ROPS 13-14A), Finance approved \$597,553 and the CAC distributed \$257,581 from the RPTTF, which resulted in a \$339,972 funding shortfall. The Agency incurred actual expenditures totaling \$484,887. Therefore, after accounting for the \$3,049 remaining from the OFA DDR, the Agency had an actual funding shortfall in the ROPS 13-14A period totaling \$224,257, which was paid for by the City.
- For the January through June 2014 ROPS period (ROPS 13-14B), Finance approved \$691,608 and the CAC distributed \$179,573 from the RPTTF. Additionally, a prior period adjustment (PPA) from the ROPS III period in the amount of \$512,035 was also applied, which should have resulted in the ROPS 13-14B being fully funded. However, as determined during the January through June 2014 ROPS period (ROPS 14-15B) Meet and Confer process, the Agency had incorrectly reported the PPA. It was determined that the PPA was overstated by \$268,937. Based upon further review, the PPA from the ROPS III period was actually overstated by \$293,948 and the PPA should have been \$218,087. As such, the Agency had \$397,660 (\$179,573 + \$218,087) available for the ROPS 13-14B period. The Agency incurred actual expenditures totaling \$304,909. Therefore, the Agency did not have a funding shortfall in the ROPS 13-14B period and should have \$92,751 remaining from the RPTTF distribution.
- For the July through December 2014 ROPS period (ROPS 14-15A), Finance approved \$569,838 and the CAC distributed \$284,636 from the RPTTF. Additionally, a PPA from the ROPS 13-14A period in the amount of \$25,011 was also applied, which should have resulted in \$309,647 being available. However, as detailed above, the Agency had a funding shortfall in the ROPS 13-14A period and therefore, the Agency incorrectly overstated the PPA by \$25,011. The Agency incurred actual expenditures totaling \$392,612. Therefore, the Agency had an actual funding shortfall in the ROPS 14-15A period totaling \$107,976, which was paid for by the City.
- For the January through December 2014 ROPS period (ROPS 14-15B), Finance approved \$323,604 and the CAC distributed \$205,842 from the RPTTF. Additionally, a PPA from the ROPS 13-14B period in the amount of \$117,762 was also applied, which should have resulted in the ROPS 14-15B being fully funded. However, as detailed above, the PPA from the ROPS III period was overstated, which resulted in the ROPS 13-14B PPA also being overstated. As such, the ROPS 13-14B PPA should have been \$92,751 and the Agency should have had \$298,593 (\$205,842 + \$92,751) available for the ROPS 14-15B period.

However, since the ROPS 14-15B period has not concluded, it cannot be determined at this time if the Agency has incurred an actual funding shortfall.

In summary, the Agency had actual funding shortfalls that were paid for by the City in the amounts of \$224,257 and \$107,976 for the ROPS 13-14A and ROPS 14-15A periods, respectively. Therefore, this item is an enforceable obligation and is eligible for funding in the amount of \$332,233. The Agency provided Oversight Board resolution #03-15 approving a loan agreement between the City and the Agency, which was approved by Finance on May 15, 2015. Therefore, this item is eligible for \$332,233 of RPTTF funding and the remaining \$27,048 continues to be denied.

In addition, per Finance's letter dated April 6, 2015, 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 15-16A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2014 period. HSC section 34186 (a) also specifies prior period adjustments self-reported by successor agencies are subject to audit by the 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, Finance is not objecting to the remaining items listed on your ROPS 15-16A. The Agency's maximum approved RPTTF distribution for the reporting period is \$810,947 as summarized in the Approved RPTTF Distribution table below:

<b>Approved RPTTF Distribution</b>	
<b>For the period of July through December 2015</b>	
Total RPTTF requested for non-administrative obligations	712,995
Total RPTTF requested for administrative obligations	125,000
<b>Total RPTTF requested for obligations on ROPS</b>	<b>\$ 837,995</b>
<b>Total RPTTF requested for non-administrative obligations</b>	<b>712,995</b>
<u>Denied Item</u>	
Item No. 40	(27,048)
	(27,048)
<b>Total RPTTF authorized for non-administrative obligations</b>	<b>\$ 685,947</b>
<b>Total RPTTF requested for administrative obligations</b>	<b>125,000</b>
<b>Total RPTTF authorized for administrative obligations</b>	<b>\$ 125,000</b>
<b>Total RPTTF authorized for obligations</b>	<b>\$ 810,947</b>
ROPS 14-15A prior period adjustment	-
<b>Total RPTTF approved for distribution</b>	<b>\$ 810,947</b>

Please refer to the ROPS 15-16A 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 July 1 through December 31, 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 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.

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Please direct inquiries to Evelyn Suess, Dispute Resolution Supervisor, or Mary Halterman, Analyst, at (916) 445-3274.

Sincerely,



JUSTYN HOWARD  
Program Budget Manager

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

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[sdueker@ci.chowchilla.ca.us](mailto:sdueker@ci.chowchilla.ca.us)  
[rpruett@ci.chowchilla.ca.us](mailto:rpruett@ci.chowchilla.ca.us)  
[jim.boyajian@madera-county.com](mailto:jim.boyajian@madera-county.com)  
[RDA-SDSupport@sco.ca.gov](mailto:RDA-SDSupport@sco.ca.gov)