



April 12, 2015

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

Dear Mr. Martin:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Firebaugh Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 15-16A) to the California Department of Finance (Finance) on February 27, 2015 for the period of July 1 through December 31, 2015. Finance has completed its review of your ROPS 15-16A, 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 No. 1 – Successor Agency Administrative Budget. Finance's review of ROPS 15-16A also included a review of Oversight Board (OB) Resolution No. OB 15-01 which approves a contract with the Rosenow Spevacek Group, Inc. to provide consulting services to the Agency in fiscal year 2015-16. The contract identified in this OB Resolution is approved as an enforceable obligation for administrative services.
- 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.

During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should be used prior to requesting Redevelopment Property Tax Trust Funds (RPTTF). Pursuant to HSC section 34177 (l) (1) (E), RPTTF may be used as a funding source, but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation. The Agency provided financial records indicating \$382,785 in available Other Funds.

Therefore, with the Agency's concurrence, the funding source for the following items have been reclassified to Other Funds and in the amounts specified below:

- Item No. 1 – Successor Agency Administrative Budget in the amount of \$125,000. The Agency requests \$125,000 for the Administrative Cost Allowance; however, Finance is reclassifying \$125,000 to Other Funds. This item is an enforceable obligation for the ROPS 15-16A period. However, the obligation does not require payment from property tax revenues and the Agency has \$382,785 in available Other Funds. Therefore, Finance is approving Other Funds in the amount of \$125,000.
- Item No. 17 – Property Disposition Costs in the amount of \$45,000. The Agency requests \$45,000 of RPTTF; however, Finance is reclassifying \$45,000 to Other Funds. This item is an enforceable obligation for the ROPS 15-16A period. However, the obligation does not require payment from property tax revenues and the Agency has \$382,785 in available Other Funds. Therefore, Finance is approving Other Funds in the amount of \$45,000.
- Item No. 22 – 2014 Refunding Bonds, Series A in the amount of \$78,402. The Agency requests \$78,402 of RPTTF; however, Finance is reclassifying \$78,402 to Other Funds. This item is an enforceable obligation for the ROPS 15-16A period. However, the obligation does not require payment from property tax revenues and the Agency has \$382,785 in available Other Funds. Therefore, Finance is approving Other Funds in the amount of \$78,402.
- Item No. 23 – 2014 Refunding Bonds, Series B in the amount of \$77,323. The Agency requests \$77,323 of RPTTF; however, Finance is reclassifying \$77,323 to Other Funds. This item is an enforceable obligation for the ROPS 15-16A period. However, the obligation does not require payment from property tax revenues and the Agency has \$382,785 in available Other Funds. Therefore, Finance is approving Other Funds in the amount of \$77,323.
- Item No. 24 – Continuing Disclosure Services in the amount of \$2,500. The Agency requests \$2,500 of RPTTF; however, Finance is reclassifying \$2,500 to Other Funds. This item is an enforceable obligation for the ROPS 15-16A period. However, the obligation does not require payment from property tax revenues and the Agency has \$382,785 in available Other Funds. Therefore, Finance is approving Other Funds in the amount of \$2,500.

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 county auditor-controller (CAC) and the State Controller.

Finance notes the Agency misreported their distribution in the Report of Prior Period Adjustments worksheet, stating they received \$485,615, when a review of the CAC distribution reports indicates the Agency received \$438,303. 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.

In addition, Finance noted the following during our review:

- On the ROPS 14-15A Prior Period Adjustment worksheet, the Agency's expenditures exceeded Finance's authorization for Item No. 5, Other Funds totaling \$7,905.

Per HSC section 34177 (a) (3), only those payments listed on ROPS may be made by the Agency from the funds specified on the ROPS. However, these items were determined to be enforceable obligations for the ROPS 14-15A period. Therefore, Finance is increasing the Agency's authorization for the ROPS 14-15A period to ensure that authorization is consistent with expenditures for the approved enforceable obligations. As Other Funds were previously expended, the increase in authorization should not result in increased expenditures for the current ROPS period, but should merely allow the Agency to reconcile actual expenditures to the authorization.

HSC sections 34177 (a) (4) and 34173 (h) provide mechanisms when Agency payments must exceed the amounts authorized by Finance. Please ensure the proper expenditure authority is received from your Oversight Board and Finance prior to making payments on enforceable obligations.

The amount of RPTTF approved in the below table includes excess prior period adjustment (PPA) of \$181,278. The current approved RPTTF is insufficient to allow for the prior period adjustments of \$181,278 during this ROPS period. Pursuant to HSC section 34177 (l) (1) (E), the Agency is required to use all available funding sources to pay enforceable obligations. Therefore, the Agency should apply the remaining funds prior to requesting RPTTF on future ROPS.

Except for the items that have been reclassified, Finance is not objecting to the remaining items listed on your ROPS 15-16A. If you disagree with the determination with respect to any items on your ROPS 15-16A, 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/](http://www.dof.ca.gov/redevelopment/meet_and_confer/)

The Agency's maximum approved RPTTF distribution for the reporting period is zero 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	203,225
Total RPTTF requested for administrative obligations	125,000
<b>Total RPTTF requested for obligations on ROPS</b>	<b>\$ 328,225</b>
<b>Total RPTTF requested for non-administrative obligations</b>	<b>203,225</b>
<u>Cash Balances - Items reclassified to Other Funds</u>	
Item No. 17	(45,000)
Item No. 22	(78,402)
Item No. 23	(77,323)
Item No. 24	(2,500)
	(203,225)
<b>Total RPTTF authorized for non-administrative obligations</b>	<b>\$ 0</b>
<b>Total RPTTF requested for administrative obligations</b>	<b>125,000</b>
<u>Reclassified Item</u>	
Item No. 1	(125,000)
<b>Total RPTTF authorized for administrative obligations</b>	<b>\$ 0</b>
<b>Total RPTTF authorized for obligations</b>	<b>\$ 0</b>
Self-reported ROPS 14-15A prior period adjustment (PPA)	(228,590)
Finance adjustment to ROPS 14-15A PPA	47,312
Total ROPS 14-15A PPA	(181,278)
Excess PPA	181,278
<b>Total RPTTF approved for distribution</b>	<b>0</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>

Absent a Meet and Confer, 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.

Please direct inquiries to Nichelle Thomas, Supervisor or Alexander Watt, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD  
Program Budget Manager

cc: Ms. Jane Carlson, Consultant, City of Firebaugh  
Mr. George Gomez, Accounting Financial Manager, Fresno County  
California State Controller's Office