

May 15, 2015

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

Dear Mr. Martin:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 12, 2015. 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 Finance on February 27, 2015, for the period of July through December 2015. Finance issued a ROPS determination letter on April 12, 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 30, 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.

- During our review, which may have included obtaining financial records, Finance initially 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.

During the Meet and Confer process, the Agency contended that all of the funds reported on the cash balance is either restricted cash or remaining balances from prior RPTTF distributions and are not available for reclassification. The Agency requested that no items be reclassified to these funds until they have completed a full reconciliation of all their accounts, which is to be reported in the next ROPS period. Therefore, to allow the Agency sufficient time to reconcile their cash balances and determine the actual amount available for reclassification, Finance no longer reclassifies items to Other Funds.

Finance will continue to work with the Agency after the ROPS 15-16A 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 15-16B.

In addition, per Finance's letter dated April 12, 2015, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

- 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.

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 (I) (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. The Agency's maximum approved RPTTF distribution for the reporting period is \$146,947 as summarized in the Approved RPTTF Distribution table below:

Approved RPTTF Distribution	
For the period of July through December 2015	
Total RPTTF requested for non-administrative obligations	203,225
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations on ROPS	\$ 328,225
Total RPTTF requested for non-administrative obligations	203,225
Total RPTTF authorized for non-administrative obligations	\$ 203,225
Total RPTTF requested for administrative obligations	125,000
Total RPTTF authorized for administrative obligations	\$ 125,000
Total RPTTF authorized for obligations	\$ 328,225
ROPS 14-15A prior period adjustment	(181,278)
Total RPTTF approved for distribution	\$ 146,947

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.

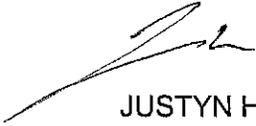
Pursuant to HSC section 34177 (a) (3), only those payments listed on an approved ROPS may be made by the successor agency from the funds specified in the ROPS. However, if the

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.

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

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