



March 27, 2015

Mr. Christopher J. Jicha, Senior Consultant, Kosmont Companies
City of Mendota Designated Local Authority
865 South Figueroa Street, 35th Floor
Los Angeles, CA 90017

Dear Mr. Jicha:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Mendota Designated Local Authority Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 15-16A) to the California Department of Finance (Finance) on February 24, 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. 25 – Unfunded Obligations from ROPS 14-15A in the amount of \$1,565,000 is partially allowed. It is our understanding a portion of the amount requested relates to the principal bond payment due August 1, 2014 for the 1994 Tax Allocation Bonds. According to information provided by the Agency, the principal amount due on the bonds for this period was \$285,000. Finance authorized a payment for half this amount which, according to information provided to Finance, was paid by the Agency; however, the amount requested for the current line item includes the unpaid amount of \$285,000. While this item is an enforceable obligation, the total outstanding obligation amount reported this ROPS period does not agree with the unpaid balances reported by the Agency. Therefore, Finance has reduced the unpaid balance by \$142,500 to account for the partial payment made August 1, 2014 and authorizes \$1,422,500 in Redevelopment Property Tax Trust Funds (RPTTF).

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. 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 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/

The Agency's maximum approved RPTTF distribution for the reporting period is \$2,669,386 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	2,811,886
Total RPTTF requested for administrative obligations	0
Total RPTTF requested for obligations on ROPS	\$ 2,811,886
Total RPTTF requested for non-administrative obligations	2,811,886
<u>Denied Item</u>	
Item No. 25	(142,500)
Total RPTTF authorized for non-administrative obligations	\$ 2,669,386
Total RPTTF authorized for administrative obligations	\$ 0
Total RPTTF authorized for obligations	\$ 2,669,386
ROPS 14-15A prior period adjustment	0
Total RPTTF approved for distribution	\$ 2,669,386

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 15-16A 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 Cash Balance Form indicated balances as of July 1, 2014 in the amount of \$3,201,606. This includes the ROPS 14-15A distribution amount of \$390,576. The Agency's financial records indicated balances as of July 1, 2014 in the amount of \$3,749,777, which also included the ROPS 14-15A distribution amount of \$390,576, a difference of \$548,171. The Agency was not able to explain the reason for the difference. As a result, 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.

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: Mr. Craig Mellon, Chair, Designated Local Authority, City of Mendota Designated Local Authority
Mr. George Gomez, Accounting Financial Manager, Fresno County
California State Controller's Office