

April 6, 2016

Ms. Sherri Dueker, Accounting Manager
City of Chowchilla
130 South Second Street
Chowchilla, CA 93610

Dear Ms. Dueker:

Subject: 2016-17 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Chowchilla Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule for the period July 1, 2016 through June 30, 2017 (ROPS 16-17) to the California Department of Finance (Finance) on February 1, 2016. Finance has completed its review of the ROPS 16-17.

Based on a sample of line items reviewed and application of the law, Finance made the following determinations:

- The claimed administrative costs exceed the allowance by \$10,000. HSC section 34171 (b) (3) limits fiscal year 2016-17 Administrative Cost Allowance (ACA) to three percent of actual distributed Redevelopment Property Tax Trust Fund (RPTTF) in the preceding fiscal year or \$250,000, whichever is greater; not to exceed 50 percent of the distributed RPTTF. As a result, the Agency is eligible for \$250,000 in ACA for the fiscal year 2016-17. Although \$250,000 is claimed for administrative cost, Item No. 6 for Legal Fees in the amount of \$10,000 is considered an administrative cost and should be counted toward the cap. Therefore, \$10,000 of excess administrative cost allowance is not allowed.
- Item No. 30 – Infrastructure Improvement funded with \$197,167 in Bond Proceeds. The Agency received a Finding of Completion on April 26, 2013 and is allowed to expend bond proceeds derived from bonds issued prior to January 1, 2011 (pre-2011 bond proceeds) in a manner consistent with the bond covenants. Our approval is specifically limited to the use of excess pre-2011 bond proceeds pursuant to HSC section 34191.4 (c) (1). Therefore, we have changed the Obligation Type from “Improvement/Infrastructure” to “Bond Funded Project – Pre-2011.” Such approval, however, should not be construed as approval of the project itself as an enforceable obligation.
- Item No. 31 – Long-Range Property Management Plan (LRPMP) costs in the total outstanding amount of \$15,000 is not allowed. The Agency’s LRPMP was approved and indicates the Agency has two properties to sell. The Agency was unable to provide any documentation to support the how the requested \$15,000 was estimated and how costs

relate to the two properties. To the extent the Agency can provide suitable documentation to support the requested funding, the Agency may be eligible for RPTTF funding.

- Item No. 32 – Loan to Repay to General Fund in the total outstanding amount of \$349,262 is not allowed. The Agency received sufficient RPTTF during the January 1, 2016 to June 30, 2016 (ROPS 15-16B) period to fully fund the obligation. Therefore, the item is no longer an enforceable obligation and should be retired on the next ROPS.

Except for the items denied in whole or in part, Finance is not objecting to the remaining items listed on your ROPS 16-17. If you disagree with Finance's determination with respect to any items on your ROPS 16-17, except for those items which are the subject of litigation disputing Finance's previous or related determinations, 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/

On the ROPS 16-17 form, the Agency reported cash balances and activity for the period of July 1, 2015 through June 30, 2016. 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 our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should be used prior to requesting RPTTF. Therefore, the funding source for the following item has been reclassified to Other Funds in the amount specified below:

Item No. 1 – 2006 Tax Anticipation Notes in the amount of \$350,813 for the July 1, 2016 through December 31, 2016 (ROPS A period). The Agency requests \$350,813 of RPTTF; however, Finance is reclassifying \$109 to Other Funds. This item is an enforceable obligation for the ROPS 16-17 period. However, the obligation does not require payment from property tax revenues and the Agency has \$109 in available Other Funds. Therefore, Finance is approving RPTTF in the amount of \$350,704 and the use of Other Funds in the amount of \$109, totaling \$350,813 for the ROPS A period.

The Agency's maximum approved RPTTF distribution for the reporting period is \$767,992 as summarized in the Approved RPTTF Distribution Table on Page 4 (See Attachment).

ROPS distributions will occur twice annually, one distribution for the July 1, 2016 through December 31, 2016 (ROPS A period), and one distribution for the January 1, 2017 through June 30, 2017 (ROPS B period) based on Finance's approved amounts. Since Finance's determination is for the entire ROPS 16-17 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

On the ROPS 16-17 form, the Agency was not required to report the estimated obligations versus actual payments (prior period adjustment) associated with the July 1, 2015 through December 31, 2015 period (ROPS 15-16A). The Agency will report actual payments for ROPS 15-16A and ROPS 15-16B on the ROPS 18-19 form pursuant to HSC section 34186 (a) (1). A prior period adjustment will be applied to the Agency's future RPTTF distribution. Therefore, the Agency should retain any difference in unexpended RPTTF.

Please refer to the ROPS 16-17 schedule used to calculate the total RPTTF approved for distribution:

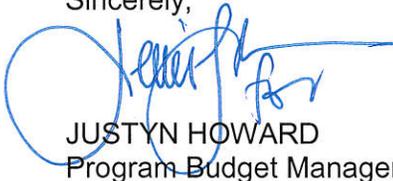
<http://www.dof.ca.gov/redevelopment/ROPS>

Absent a Meet and Confer, this is Finance's determination related to the enforceable obligations reported on your ROPS for the period July 1, 2016 through June 30, 2017. This determination only applies to items when funding was requested for the 12-month period. Finance's determination is effective for this time period only and should not be conclusively relied upon for future ROPS periods. All items listed on a future ROPS are subject to review and may be denied even if it was not denied on this ROPS or a preceding ROPS. The only exception is for items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). Finance's review of Final and Conclusive items 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 available prior to the enactment of the redevelopment dissolution statutes. 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.

Please direct inquiries to Cindie Lor, Supervisor, or Todd Vermillion, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Program Budget Manager

cc: Mr. Rod Pruett, Finance Director, City of Chowchilla
Mr. Jim Boyajian, Assistant Auditor Controller, Madera County

Attachment

Approved RPTTF Distribution			
For the period of July 2016 through June 2017			
	<u>ROPS A Period</u>	<u>ROPS B Period</u>	<u>Total</u>
Requested RPTTF (excluding administrative obligations)	\$ 715,325	\$ 177,038	\$ 892,363
Requested Administrative RPTTF	125,000	125,000	250,000
Total RPTTF requested for obligations on ROPS 16-17	840,325	302,038	\$ 1,142,363
Total RPTTF requested	715,325	177,038	892,363
<u>Denied Items</u>			
Item No. 31	(7,500)	(7,500)	(15,000)
Item No. 32	(349,262)	0	(349,262)
<u>Reclassified Items</u>			
Item No. 1	(109)	0	(109)
Item No. 6	(5,000)	(5,000)	(10,000)
Total RPTTF authorized	353,454	164,538	\$ 517,992
Total Administrative RPTTF requested	125,000	125,000	250,000
<u>Reclassified Item</u>			
Item No. 6	5,000	5,000	10,000
Total Administrative RPTTF after Finance adjustments	130,000	130,000	260,000
Administrative costs in excess of the cap (see Administrative Cost Allowance Cap table below)	0	(10,000)	(10,000)
Total Administrative RPTTF authorized	130,000	120,000	\$ 250,000
Total RPTTF approved for distribution	483,454	284,538	\$ 767,992

Administrative Cost Allowance Cap Calculation	
Actual RPTTF distributed for fiscal year 2015-16	\$ 1,007,935
Less sponsoring entity loan and Administrative RPTTF	250,000
Actual RPTTF distributed for 2015-16 after adjustment	757,935
Administrative Cap for 2016-17 per HSC section 34171 (b)	250,000
ROPS 16-17 Administrative RPTTF after Finance adjustments	260,000
Administrative Cost Allowance in excess of the cap	\$ (10,000)