



May 27, 2012

Tina Sumner, Director
Community & Economic Development
Clovis Community Development Agency
356 Pollasky Avenue, Suite 200
Clovis, CA 93612

Dear Ms. Sumner:

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the City of Clovis Successor Agency submitted a Recognized Obligation Payment Schedule (ROPS) to the California Department of Finance (Finance) on May 21, 2012 for the periods January through June 2012 and July through December 2012. Finance staff contacted you for clarification of items listed in the ROPS.

HSC section 34171 (d) lists enforceable obligation (EO) characteristics. Based on a sample of line items reviewed and application of the law, the following do not qualify as EOs:

January through June 2012 ROPS:

- Page 2, items 3 and 5 through 9 – Various projects totaling \$3.9 million. HSC section 34163 (b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011. It is our understanding that contracts and promissory notes for these line items were awarded or were to be awarded after June 27, 2011.
- Page 2, item 2 – A project totaling \$1.3 million. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city, county, or city and county that created the redevelopment agency (RDA) and the former RDA are not enforceable obligations unless entered into within the first two years of the former RDA's existence.
- Page 1, items 22 and 24 – Loans totaling \$444,683. Although HSC section 34175 states that pledges of revenues associated with EOs of the former redevelopment agencies are to be honored, the obligation has not yet been incurred. Therefore, the amounts are not EOs.
- Page 1, item 2 – a project totaling \$510,800. This item is a duplicate of item 3, page 2.
- Administrative costs claimed exceed allowance by \$209,300. HSC section 34171 (b) limits fiscal year 2011-12 administrative expenses to five percent of property tax allocated to the successor agency or \$250,000, whichever is greater. Five percent of the property tax allocated is \$179,369. Therefore, the administrative cost allowance is \$250,000. The following line items are considered administrative costs:

Page	Line	Description	Amount
1	3	Office Rent	\$ 42,000
1	9	Successor Agency/Agency Audit	9,000
1	12	Pay-Related Expenses	108,300
3	1	Office Expenses	22,109
3	2	Professional Services	227,891
3	3	Pay-Related Expenses	50,000
Total Admin Costs			\$ 459,300

July through December 2012 ROPS:

- Page 2, items 3 and 5 through 9 – Various projects totaling \$3.9 million. HSC section 34163 (b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011. It is our understanding that contracts and promissory notes for these line items were awarded or were to be awarded after June 27, 2011.
- Page 2, item 2 – a project totaling \$1.3 million. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city, county, or city and county that created the redevelopment agency (RDA) and the former RDA are not enforceable obligations unless entered into within the first two years of the former RDA's existence.
- Page 1, items 8 and 9 – Loans totaling \$444,683. Although HSC section 34175 states that pledges of revenues associated with EOs of the former redevelopment agencies are to be honored, the obligation has not yet been incurred. Therefore, the amounts are not EOs.
- Administrative costs claimed exceed allowance by \$22,000. HSC section 34171 (b) limits fiscal year 2012-13 administrative expenses to three percent of property tax allocated to the successor agency or \$250,000, whichever is greater. Three percent of the property tax allocated is \$98,273. Therefore, the administrative cost allowance is \$250,000. The following line items are considered administrative costs:

Page	Line	Description	Amount
1	2	Office Rent	\$ 42,000
1	8	Successor Agency/Agency Audit	5,000
3	1	Office Expenses	19,350
3	2	Professional Services	105,650
3	3	Pay-Related Expenses	100,000
Total Admin Costs			\$ 272,000

Except for the preceding items disallowed in whole or in part as enforceable obligations, Finance is approving the remaining items listed in your ROPS for both periods. This is our determination with respect to any items funded from the Redevelopment Property Tax Trust Fund (RPTTF) for the June 1, 2012 property tax allocations. If your oversight board disagrees with our determination with respect to any items not funded with property tax, any future

resolution of the disputed issue may be accommodated by amending the ROPS for the appropriate time period. Items not questioned during this review are subject to a subsequent review, if they are included on a future ROPS. If an item included on a future ROPS is not an enforceable obligation, Finance reserves the right to remove that item from the future ROPS, even if it was not removed from the preceding ROPS.

Please refer to Exhibit 12 at http://www.dof.ca.gov/assembly_bills_26-27/view.php for the amount of RPTTF that was approved by Finance based on the schedule submitted.

As you are aware, the amount of available RPTTF is the same as the property tax increment that was available prior to ABx1 26. 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 in the RPTTF.

Please direct inquiries to Evelyn Suess, Supervisor or Michael Barr, Lead Analyst at (916) 322-2985.

Sincerely,



MARK HILL
Program Budget Manager

cc: Mr. George Gomez, Accounting Financial Manager, Fresno County
Ms. Robin Cook, Senior Accountant, Fresno County