



May 4, 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 April 20, 2012 for the period January through June 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:

- Page 1, items 2, 5 through 7; page 2, items 3 through 9 – Various projects totaling \$6 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 1, items 3 and 4; page 2, item 2 – Various projects totaling \$1.4 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 34 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 3, items 1 and 2 – Office expenses and professional services totaling \$286,480. These items/amounts are duplicates of page 1, line items 12, and 13.
- Administrative costs claimed exceed allowance by \$613,780. 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 \$101,909. Therefore, the administrative cost allowance is \$250,000. The following line items are considered administrative costs:

Page	Line	Description	Amount
1	1	Project Delivery	\$ 3,200
1	2	Project Delivery	5,600
1	9	Maintain Property	8,300
1	10	Employee Cost	259,200
1	11	Office Rent	42,000
1	12	Office Expense	15,659
1	13	Professional Services	270,821
1	21	Fee for Audit Services	9,000
3	1	Office Expenses	22,109
3	2	Professional Services	227,891
Total Admin Costs			\$ 863,780

As authorized by HSC section 34179 (h), Finance is returning your ROPS for your reconsideration. This action will cause the specific ROPS items noted above to be ineffective until Finance approval. Furthermore, items listed on future ROPS will be subject to review and may be denied as EOs.

If you believe we have reached this conclusion in error, please provide further evidence that the items questioned above meet the definition of an EO and send to the following email address:

Redevelopment_Administration@dof.ca.gov

Finance may continue to review items on the ROPS in addition to those mentioned above and identify additional issues. We will provide separate notice if we are requesting further modifications to the ROPS. It is our intent to provide an approval notice with regard to each ROPS prior to the June 1 property tax distribution date.

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