



May 26, 2012

Paul A. Melikian, Director of Administrative Services
City of Reedley
1733 Ninth Street
Reedley, CA 93654

Dear Mr. Melikian:

Subject: Recognized Obligation Payment Schedule Approval Letter

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the City of Reedley Successor Agency submitted Recognized Obligation Payment Schedules (ROPS) to the California Department of Finance (Finance) on April 27, 2012 for the period January to June 2012 and April 24, 2012 for the period July to December 2012. Finance is assuming appropriate oversight board approval. Finance has completed its review of your ROPS, which may have included obtaining clarification for various items.

January through June 2012 ROPS

Except for items disallowed in whole or in part as EOs noted below, Finance is approving the remaining items listed in your ROPS. HSC section 34171 (d) lists enforceable obligations characteristics. Based on a sample of items reviewed and application of the law, the following do not qualify as EOs:

- Page 2, item 1 – Reedley Improvement Project unexpended bond funds in the amount of \$5.4 million. HSC section 34177(i) states "bond proceeds shall be used for the purposes for which bonds were sold unless the purposes can no longer be achieved, in which case, the proceeds may be used to defease the bonds." ABx1 26 does not allow successor agencies to enter into new contracts, unless those contracts are specifically required pursuant to the terms of another pre-existing contract that meets the requirements of ABx1 26, or are specifically required by bond indentures. The above requirements have not been established. Therefore, the unexpended funds may not be used to enter into new obligations.
- Page 1, item 3 – Façade Grants #1 for the Reedley Shopping Center in the amount of \$25,000 out of a total of \$50,000. It is our understanding that the contract for \$25,000 of the current obligation was awarded after June 27, 2011. HSC section 34163 (b) prohibits a redevelopment agency from entering a contract with an entity after June 27, 2011.

July through December 2012 ROPS

Except for items disallowed in whole or in part as enforceable obligations (EO) noted in Finance's letter dated May 7, 2012, Finance is approving the remaining items listed in your ROPS.

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 Brian Dunham, Lead Analyst at (916) 322-2985.

Sincerely,



MARK HILL
Program Budget Manager

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