



December 18, 2012

Mr. Bryan Briggs, Manager  
City of Ceres  
2720 Second Street  
Ceres, CA 95307-3292

Dear Mr. Briggs:

Subject: Recognized Obligation Payment Schedule

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated October 3, 2012. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Ceres Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on August 20, 2012 for the period of January 1 through June 30, 2013. Finance issued its determination related to those enforceable obligations on October 3, 2012. Subsequently, the Agency requested a Meet and Confer session on one or more of the items denied by Finance. The Meet and Confer session was held on October 26, 2012.

Based on a review of additional information and documentation provided to Finance during the Meet and Confer process, Finance has completed its review of the specific item being disputed.

- Item 13 – Mitchell/Service Hwy. 99 Int. Project in the amount of \$300,000. Finance continues to deny this item. Finance denied the item as an enforceable obligation because no contract was in place prior to June 27, 2011. However, documentation provided during the meet and confer process indicates a contract was entered into between the City of Ceres (City) and a third party in 2007. The Agency contends the item is an enforceable obligation because the City issued resolutions identifying the former RDA as a source of funding. However, the Agency did not provide documents to show the former RDA took any formal action accepting payment responsibility and committing RDA funds. An intent that the RDA is expected to participate in a project is not a commitment by the RDA. Since the former RDA is neither a party to the contract nor responsible for payment of the contract, this item is not an enforceable obligation.
- Items 14 through 19 – Bond funded projects totaling \$12.5 million. Finance continues to deny these items. HSC section 34163 (b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011. No valid contracts were entered into by June 27, 2011 to expend these bond proceeds. Pursuant to HSC section 34191.4 (c), successor agencies that have been issued a Finding of Completion by Finance will be allowed to use excess proceeds from bonds issued prior to December 31, 2010 for the purposes for which the bonds were issued.

In addition, per Finance's ROPS letter dated October 3, 2012, the following items not disputed by the Agency continue to be denied:

- Item No. 11 – County Auditor Controller HSC section 34183 error corrections in the amount of \$300,034. Allocating funds for unknown errors is not an allowable use of funds and not an enforceable obligation. The Agency concedes this item does not meet the definition of an enforceable obligation. Therefore, these items are not enforceable and not eligible for RPTTF funding on this ROPS.
- Item No. 4, 5 and 8 – Although enforceable, general legal services, audits and reviews, and oversight board meeting expenses totaling \$442,200 are considered administrative costs and have been reclassified.

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is: \$1,272,252 as summarized below:

<b>Approved RPTTF Distribution Amount</b>	
<b>For the period of January through June 2013</b>	
Total RPTTF funding requested for obligations	\$ 1,447,286
Less: Six-month total for item(s) denied or reclassified as administrative cost	
Item 4*	30,000
Item 5*	24,300
Item 8*	15,000
Item 11	300,034
Total approved RPTTF for enforceable obligations	\$ 1,077,952
Plus: Approved RPTTF distribution for administrative cost for ROPS III	194,300
<b>Total RPTTF approved:</b>	<b>\$ 1,272,252</b>

\* Notes items that were reclassified

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS III form the estimated obligations and actual payments associated with the January through June 2012 period. The amount of RPTTF approved in the above table will be adjusted by the county auditor-controller to account for differences between actual payments and past estimated obligations. Additionally, these estimates and accounts are subject to audit by the county auditor-controller and the State Controller.

The amount available from the RPTTF is the same as the property tax increment that was available prior to 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 successor agency in the RPTTF.

Except for items disallowed as noted above, Finance is not objecting to the remaining items listed in your ROPS III. Obligations deemed not to be enforceable shall be removed from your ROPS. This is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2013. 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 questioned on this ROPS or a preceding ROPS.

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Please direct inquiries to Evelyn Sues, Dispute Resolution Supervisor, or Danielle Brandon, Analyst, at (916) 445-1546.

Sincerely,



**STEVE SZALAY**  
Local Government Consultant

cc: Ms. Lauren Klein, County of Stanislaus, Auditor-Controller  
California State Controller's Office