



December 18, 2012

Mr. Wayne Padilla, Assistant City Administrator  
City of Chowchilla  
130 S. Second Street  
Chowchilla, CA 93610

Dear Mr. Padilla:

**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 Chowchilla Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on August 23, 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 31, 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 items being disputed.

- Item No. 2 – Loan from Madera County in the amount of \$75,000. Finance no longer objects to the item. Finance denied the item as the purchase and sale agreement was between the City of Chowchilla (City) and County of Madera and not the redevelopment agency (RDA). The Agency contends the item is an enforceable obligation because Resolution No. 02-09 passed by the former RDA Board on February 23, 2009 authorized the RDA to acquire the property. Resolution No. 02-09 specifically commits RDA funds for the purchase of the "old library" from the County of Madera and lays out the total amount to be paid by the former RDA as well as the payment terms. Therefore, this item is an enforceable obligation.
- Item No. 7 – Legal Fees California Department of Correction and Rehabilitation (CDCR) in the amount of \$310,191. Finance continues to deny the item. Finance denied the item as the letter from Cota Cole LLP stating that the entity was the legal counsel for the RDA and City related to this case. However, the Verified Petition for Writ of Mandate provided identified the City and the CDCR as parties to the lawsuit and not the RDA. The Agency contends the item is an enforceable obligation because the petition for writ of mandate can be amended to reflect the Agency as a named party to the suit and this will not affect the existing status of the Agency as a party to the case. However, based on the Legal Services Agreement and legal billings provided, the costs are being incurred by and billed to the City and not the Agency. In the Legal Services Agreement

provided, the scope of services states Wulfsberg Reese Colvig & Firstman "will represent the City itself, and not any other party, or any other individual or constituent group (including...any other individuals or entities)." As the former RDA is neither a party to the contract nor responsible for payment of the contract, the item is not an enforceable obligation.

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. 3 – County property tax administrative fees in the amount of \$316,102. HSC section 34182 (e) allows the county auditor-controller to deduct from the Redevelopment Property Tax Trust Fund (RPTTF) for their administration costs prior to distributing property tax increment funds. Therefore, this item should not be included in the ROPS.
- Item No. 21 – Statutory pass-through payments in the amount of \$5.5 million. Beginning July 1, 2012, the county auditor-controller is responsible for distributing property tax increment funds to the taxing entities. Therefore, these items should not be included in the ROPS.
- Item No. 22 – Low/Mod Housing Support Contract in the amount of \$75,000. HSC section 34163(b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011. The contract was executed on July 25, 2011. Furthermore, the agreement is between the City and Self-Help Enterprises. Therefore, item is not eligible for LMIHF funding.
- Item Nos. 25 to 28 – Various obligations. According to the Agency, there are no amounts reported for these obligations because they will be removed from the ROPS.

Furthermore, Item No. 9 – Property tax in the amount of \$2,000 was reclassified as administrative cost. Although this reclassification increased administrative costs to \$82,564, the administrative cost allowance has not been exceeded.

The Agency's maximum approved RPTTF distribution for the reporting period is: \$976,130 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                                 | \$ 1,421,104      |
| Less: Six-month total for items denied or reclassified as administrative cost |                   |
| Item 3  | 86,000            |
| Item 7  | 219,538           |
| Item 9 *  | 2,000             |
| Item 21   | 220,000           |
| Total approved RPTTF for enforceable obligations                              | \$ 893,566        |
| Plus: Allowable RPTTF distribution for administrative cost for ROPS III       | 82,564            |
| <b>Total RPTTF approved:</b>  | <b>\$ 976,130</b> |

\* Reclassified as administrative cost.

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.

Please direct inquiries to Evelyn Suess, Dispute Resolution Supervisor, or Mary Halterman, Analyst, at (916) 445-1546.

Sincerely,



Steve Szalay  
Local Government Consultant

cc: Mr. Mark Lewis, City Administrator, City of Chowchilla  
Mr. Jim Boyajian, Assistant Auditor Controller, County of Madera  
California State Controller's Office