



December 18, 2012

Ms. Laura Weyant, City Manager
City of Firebaugh
1133 P Street
Firebaugh, CA 93622

Dear Ms. Weyant:

Subject: Recognized Obligation Payment Schedule

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated October 13, 2012. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Firebaugh Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on August 29, 2012 for the period of January 1 through June 30, 2013. Finance issued its determination related to those enforceable obligations on October 13, 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 November 5, 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 items being disputed.

- Item No. 15 – Repayment of bond reserves in the amount of \$336,148. Finance no longer objects to the item. Finance denied the item as Redevelopment Property Tax Trust Fund (RPTTF) funding for December payments of tax allocation bonds was previously approved for the July through December 2012 period. Therefore, funding has already been received to the extent that RPTTF was available. The Agency contends the item is an enforceable obligation because in June 2012, the Agency received \$132,792 in RPTTF funding from the County, which is less than half of the \$336,148 in bond payments owed in December 2012. In order to make up this deficit and fulfill bond debt service requirements, the Agency intends to withdraw money from the Bond Reserves to make the December 2012 bond payments, an action fully authorized under the bond covenants. HSC section 34171 (d) (1) (A) states a reserve may be held when required by the bond indenture. Therefore, replenishing the bond reserves is an enforceable obligation and eligible for RPTTF funding.
- Item No. 16 – City loan in the amount of \$230,000. Finance continues to deny the item at this time. Finance denied the item as HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city that created the redevelopment agency (RDA) and the former RDA are not enforceable, unless issued within two years of the RDA's creation date or for issuance of indebtedness to third-party

investors or bondholders. The Agency contends the item is an enforceable obligation because pursuant to HSC section 34173 (h), the City of Firebaugh (City) and the Agency entered into a loan agreement on August 16, 2012 to fund administrative costs and enforceable obligations from July 2012 to December 2012. Finance agrees HSC section 34173 (h) allows the city, county, or city and county that authorized the creation of a RDA to loan or grant funds to a successor agency for administrative costs, enforceable obligations, or project-related expenses at the city's discretion, but the receipt and use of these funds shall be reflected on the Recognized Obligation Payment Schedule. An enforceable obligation shall be deemed to be created for the repayment of those loans. However, the Agency has not received and used the funds loaned by the City; therefore, this item is currently not an enforceable obligation.

In addition, per Finance's ROPS letter dated October 13, 2012, the following items not disputed by the Agency continue to be denied:

- Items No. 12 and 13 – Gateway Project funding totaling \$450,000 bond and Low and Moderate Income Housing Fund funding. HSC section 34163 (b) prohibits a redevelopment agency (RDA) from entering into a contract with any entity after June 27, 2011. The contract related to the Gateway project was signed on February 6, 2012.

Agency's maximum approved RPTTF distribution for the reporting period is: \$699,033 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2013	
Total RPTTF funding requested for obligations	\$ 834,033
Less: Six-month total for items denied	
Item 2*	6,000
Item 3*	2,000
Item 4*	738
Item 9	30,000
Item 10*	15,000
Item 11*	2,200
Item 16	230,000
Total approved RPTTF for enforceable obligations	\$ 548,095
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	150,938
Total RPTTF approved:	\$ 699,033

*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

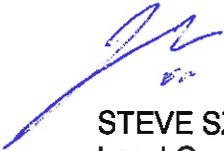
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unlimited funding source. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax is limited to the amount of funding available to the successor agency in the RPTTF.

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. Pio Martin, Finance Director, City of Firebaugh
Mr. George Gomez, Accounting Financial Manager, Fresno County
California State Controller's Office