



October 15, 2012

Ms. Laurie A. Smith, Administrative Services Officer
City of Modesto
1010 Tenth Street
Modesto, CA 95354

Dear Ms. Smith:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Modesto Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on August 31, 2012 for the period of January through June 2013. Finance has completed its review of your ROPS III, which may have included obtaining clarification for various items.

HSC section 34171 (d) defines enforceable obligations. Based on a sample of line items reviewed and application of the law, the following do not qualify as enforceable obligations:

- Item No. 1 and 2 - Certificates of Participation and Reimbursement Agreement totaling \$32.7 million. The items are enforceable obligations; however, payment is pledged with lease payments from the City of Modesto. Therefore, the items must be paid using "Other" sources, and not Redevelopment Property Tax Trust Fund (RPTTF) money.
- Item 7 – City loan in the amount of \$145,000. 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. This shall remain the case until and unless a finding of completion is issued by the Department of Finance and the oversight board makes a finding that the loan was for legitimate redevelopment purposes. (HSC section 34191.4 (b)) Therefore, this item is not an enforceable obligation and not eligible for RPTTF funding on this ROPS.
- Administrative costs funded by RPTTF exceed the allowance by \$16,855. HSC section 34171(b) limits administrative costs to three percent of property tax allocated to the successor agency or \$250,000, whichever is greater for the fiscal year. As a result, the Agency's administrative cost allowance is capped at \$250,000 for the fiscal year. In the period July through December of 2012, \$125,000 of administrative allowance was used, leaving \$125,000 available for the January through June 2012 period. Therefore, \$16,855 of the claimed \$141,855 is denied. Item 6 was reclassified to an administrative cost and used to arrive at the denied allowance.

Except for items denied in whole or in part as enforceable obligations as noted above, Finance is approving the remaining items listed in your ROPS III. If you disagree with the determination with respect to any items on your ROPS III, you may request a Meet and Confer within five business days of the date of this letter. The Meet and Confer process and guidelines are available at Finance's website below:

http://www.dof.ca.gov/redevelopment/meet_and_confer/

The Agency's maximum approved RPTTF distribution for the reporting period is: \$195,989 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2013	
Total RPTTF funding requested for obligations	\$ 3,289,762
Less: Six-month total for item(s) denied or reclassified as administrative cost	
Item No. 1	1,946,310
Item No. 2	1,197,190
Item No. 6*	5,312
Item No. 7	50,000
Total approved RPTTF for enforceable obligations	\$ 90,950
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	105,039
Total RPTTF approved:	\$ 195,989
* Reclassified as administrative cost	
Administrative Cost Calculation	
Total RPTTF for the period July through December 2012	\$ 1,722,780
Total RPTTF for the period January through June 2013	90,950
Total RPTTF for fiscal year 2012-13:	\$ 1,813,730
Allowable administrative cost for fiscal year 2012-13 (Greater of 3% or \$250,000)	250,000
Administrative allowance for the period of July through December 2012	144,961
Allowable RPTTF distribution for administrative cost for ROPS III:	\$ 105,039

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.

Please refer to the ROPS III schedule that was used to calculate the approved RPTTF amount: [http://www.dof.ca.gov/redevelopment/ROPS/ROPS III Forms by Successor Agency/](http://www.dof.ca.gov/redevelopment/ROPS/ROPS%20III%20Forms%20by%20Successor%20Agency/).

All items listed on a future ROPS are subject to a subsequent review. An item included on a future ROPS may be denied even if it was not questioned from the preceding ROPS.

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.

Ms. Laurie Smith
October 15, 2012
Page 3

Please direct inquiries to Robert Scott, Supervisor or Jenny DeAngelis, Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Mr. Stephen Christensen, Acting Budget Manager, City of Modesto
Ms. Lauren Klein, CPA, Auditor-Controller, Stanislaus County