DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR
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May 11, 2012

Jeff Briltz, City Manager
City of Lemoore
119 Fox Street
Lemoore, CA 93245

Dear Mr. Briltz:

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the Lemoore Successor Agency submitted a Recognized Obligation Payment Schedule (ROPS) to the California Department of Finance (Finance) on April 27, 2012 for the periods January through June 2012 and July through December 2012. Finance staff contacted you for clarification of items listed in the ROPS.

HSC section 34171 (d) lists enforceable obligation (EO) characteristics. Based on a sample of line items reviewed and application of the law, the following do not qualify as EOs:

Bullet 1

- The total payments in the June 2012 column on the ROPS period January through June are duplicated in the July through December ROPS in the July payment column. The following amounts should be removed from the ROPS:
  - Line 1, page 1, for 1998 Bond payment in the amount of $412,015
  - Line 2, page 1, for 2003 Bond payment in the amount of $464,180
  - Line 3, page 1, for 2011 Bond payment in the amount of $838,757

Bullet 2

- The items listed below are not EOs because the amounts are based on tax increment that is no longer available as a result of the redevelopment agency dissolution:
  - Page 1, line 7 and 9 for the January through June 2012 period totaling $954,845
  - Page 1, line 4 and 5 for the July through December 2012 period totaling $167,000.

Bullet 3

- The requirement to set aside 20 percent of RDA tax increment for low and moderate income housing purposes ended with the passing of the redevelopment dissolution legislation. HSC section 34177 (d) requires that all unencumbered balances in the Low and Moderate Income Housing fund be remitted to the county auditor controller for distribution to the taxing entities. The following have been labeled as set aside:
  - Line 10, page 1 for the January through June 2012 period in the amount of $1,990,925

Bullet 4

- Line 11, page 1 on the January through June 2012 period, Golf Course/City Loan for $200,000: HSC section 34171 (d) (2) states that loans between the entity that created the redevelopment agency (RDA) and the former RDA are only enforceable if made within the first two years of the RDA's existence.

Bullet 5

- Line 17, page 2 for the January through June 2012 period, LMI Senior Housing Complex loan signed December 13, 2011 totaling $2,680,000. HSC Section 34163 (b) prohibits a RDA from entering into a contract after June 27, 2011.

Bullet 6

- There have been no contracts executed between the RDA and third parties on or before June 27, 2011 for the following line items and are not EOs:
  - Line 18, page 2 (January through June ROPS) and Line 9, page 1 (July through December ROPS) LMI Housing Complex for $2,500,000
  - Infrastructure Improvement Project listed on Line 32, page 3 (January through June ROPS) for $2,818,189 and Line 20, page 1 for $3,232,059 (July through December ROPS).

Bullet 7

- Line 7, page 3 (January through June ROPS) and Line 13, page 1 (July through December ROPS), Loan Agreement with KC Management & Development Corp for $250,000. Documents provided show the City acquired the subject property and the RDA entered into a contract for management services of the property. There are no agreements that evidence a loan to obligate the RDA to provide funding to a third party,

Bullet 8

- Contracts and agreements provided are executed by the City (not the RDA) and do not show that the RDA has established an EO:
  - Line 1, page 3 (January through June ROPS) and line 10 page 1 (July through December ROPS), Brownfield Cleanup for $850,000
  - Line 2, page 3, for $37,079 (January through June ROPS) and line 11, page 1 for $148,320, Contract for Services with Kings County Economic Development Corporation
  - Line 19, page 1, July through December 2012, Façade Improvement Program for $200,000.

Bullet 9

- HSC section 34163 (b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011. This includes contracts using tax increment and bond funds. HSC section 34177 (i) states that bonds shall be used for the purpose for which the bonds were sold unless the purposes can no longer be achieved, in which case, the proceeds may be used to defease the bonds. No contracts have been executed for the following anticipated projects:
  - Lines 4 through 12, page 4 and lines 1 through 8, page 5 (January through June ROPS) and lines 21 through 36, page 1 (July through December ROPS) Bond Projects totaling approximately $10.5 million.

Bullet 10

- For the ROPS period January through June 2012, HSC section 34171 (b) limits the 2011-12 administrative cost allowance to five percent of the property tax allocated or $250,000, whichever is greater. Five percent of the property tax allocated to the Successor Agency in 2011-12 equated to $142,357. Therefore, $250,000 is the maximum administrative cost allowance. The total administrative costs claimed from page 1, lines 12 and 13, page 4, lines 2 and 3 total $1,060,943. The amount not allowed as part of the administrative cost allowance is $810,943.

Bullet 11

- For the ROPS period July through December 2012, HSC section 34171 (b) limits the 2011-12 administrative cost allowance to three percent of the property tax allocated or $250,000, whichever is greater. Three percent of the property tax allocated to the Successor Agency in 2011-12 equated to $85,872. The total administrative costs

claimed from lines 17 and 18, page 1 and lines 1, page 3, totaled $278,000. Since three percent of the property tax is less than the minimum amount, $250,000 is the maximum administrative cost allowance. The amount not allowed is $28,000.

As authorized by HSC section 34179 (h), Finance is returning your ROPS for your reconsideration. This action will cause the specific ROPS items noted above to be ineffective until Finance approval. Furthermore, items listed on future ROPS will be subject to review and may be denied as EOs.

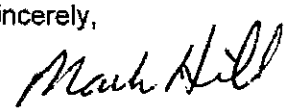
Finance may continue to review items on the ROPS in addition to those mentioned above and identify additional issues. We will provide separate notice if we are requesting further modifications to the ROPS. It is our intent to provide an approval notice with regard to each ROPS prior to the June 1 property tax distribution date.

If you believe we have reached this conclusion in error, please provide further evidence that the items questioned above meet the definition of an EO and submit to the following email address:

Redevelopment_Administration@dof.ca.gov

Please direct inquiries to Robert Scott, Supervisor or Jenny DeAngelis, Lead Analyst at (916) 322-2985.

Sincerely,



MARK HILL
Program Budget Manager

cc: Ms. Nanci C. O. Lima, City Clerk, City of Lemoore
Ms. Becky Carr, Director of Finance, Kings County
Ms. Cassandra Mann, Property Tax Manager, Kings County