DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR
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November 12, 2013

Ms. Cindy M Prothro, Finance Director
City of Barstow
220 East Mountain View Street, Suite A
Barstow, CA 92311

Dear Ms. Prothro:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Barstow Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14B) to the California Department of Finance (Finance) on September 30, 2013 for the period of January through June 2014. Finance has completed its review of your ROPS 13-14B, 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 for the reasons specified:

- Item Nos. 2 and 4 – Tax Allocation Bonds, Debt Service Reserve totaling $292,500. The Agency requested funding for debt service payments due for the period July through December 2014 (ROPS 14-15A). HSC section 34171 (d) (1) (A) allows agencies to hold a reserve for debt service payments when required by the bond indenture, or when the next property tax allocation will be insufficient to pay all obligations due under the provisions of the bond for the next payment due in the following half of the calendar year. Based on our review of the bond indentures, we did not note any requirement to create such a reserve. Additionally, based on the history of the Agency's distributions, it is our understanding the next property tax allocation will be sufficient to pay debt service due for these bonds during the ROPS 14-15A period. Therefore, the request for Redevelopment Property Tax Trust Fund (RPTTF) funding has been reduced by the amount specified below:
    - Item No. 2 – 2004 Tax Allocation Bonds in the amount of $210,000.
    - Item No. 4 – 1994 Tax Allocation Bonds Series A in the amount of $82,500.

During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that are required to be used prior to requesting RPTTF. Pursuant to HSC section 34177 (l) (1) (E), RPTTF may be used as a funding source, but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation. The Agency provided financial records that displayed available Other Funds totaling $42,566.

Therefore, the funding source for the following item has been reclassified to Other Funds and in the amount specified below:

- Item No. 15 – Administrative Allowance in the amount of $70,000. The Agency requests $70,000 of RPTTF; however Finance is reclassifying $42,566 to Other Funds. This item was determined to be an enforceable obligation for the ROPS 13-14B period. However, the obligation does not require payment from property tax revenues and the Agency has $42,566 available in Other Funds. Therefore, Finance is approving RPTTF in the amount of $27,434 and the use of Other Funds in the amount of $42,566, totaling $70,000 for Item No. 15.

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14B form the estimated obligations and actual payments (prior period adjustments) associated with the January through June 2013 period. HSC Section 34186 (a) also specifies that the prior period adjustments self-reported by successor agencies are subject to audit by the county auditor-controller (CAC) and the State Controller. The amount of RPTTF approved in the below table includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

Except for items denied in whole or in part as enforceable obligations or for the item that have been reclassified, Finance is not objecting to the remaining items listed on your ROPS 13-14B. If you disagree with the determination with respect to any items on your ROPS 13-14B, 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 $551,827 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2014		
Total RPTTF requested for non-administrative obligations		860,003
Total RPTTF requested for administrative obligations		75,000
Total RPTTF requested for obligations	**$**	**935,003**
Total RPTTF requested for non-administrative obligations		**860,003**
Denied Items		
Item No. 2		210,000
Item No. 4		82,500
		292,500
Total RPTTF approved for non-administrative obligations		**567,503**
Total RPTTF requested for administrative obligations		**75,000**
Reclassified Items – From RPTTF to Other Funds		
Item No. 15		42,566
		42,566
Total RPTTF for administrative obligations		**32,434**
Total RPTTF approved for obligations		**599,937**
ROPS III prior period adjustment		(48,110)
Total RPTTF approved for distribution	**$**	**551,827**

Please refer to the ROPS 13-14B schedule that was used to calculate the approved RPTTF amount:

http://www.dof.ca.gov/redevelopment/ROPS/ROPS 13-14B Forms by Successor Agency/.

Absent a Meet and Confer, this is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2014. This determination applies only to items where funding was requested for the six month period. 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 denied on this ROPS or a preceding ROPS. The only exception is for those items that have received a Final and Conclusive determination from Finance pursuant to HSC 34177.5 (i). Finance's review of items that have received a Final and Conclusive determination is limited to confirming the scheduled payments as required by the obligation.

The amount available from the RPTTF is the same as the amount of 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.

To the extent proceeds from bonds issued after December 31, 2010 exist and are not encumbered by an enforceable obligation pursuant to HSC section 34171 (d), HSC section 34191.4 (c)(2)(B) requires these proceeds be used to defease the bonds or to purchase those same outstanding bonds on the open market for cancellation.

Please direct inquiries to Nichelle Thomas, Supervisor or Susana Medina Jackson, Lead Analyst at (916) 445-1546.

Sincerely,

JUSTYN HOWARD
Assistant Program Budget Manager

cc: Ms. Mary Stapp, Assistant Finance Director, City of Barstow
Ms. Linda Santillano, Property Tax Manager, San Bernardino County
California State Controller's Office