



December 17, 2013

Mr. Frank J. Luckino, Finance Director
City of Blythe
235 North Broadway
Blythe, CA 92225

Dear Mr. Luckino:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated November 26, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Blythe Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14B) to Finance on October 16, 2013, for the period of January through June 2014. Finance issued a ROPS determination letter on November 26, 2013. 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 December 6, 2013.

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. 2 – Police Station Installment Agreement in the amount of \$68,952. Finance continues to deny this item. The Installment Sale and Leaseback Agreement is between the former Redevelopment Agency (RDA) and the City of Blythe (City). HSC section 34171 (d) (2) states “enforceable obligation” does not include any agreements, contracts, or arrangements between the city that created the RDA and the former RDA. This is an agreement between the former RDA and the City. Therefore, this item is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.
- ROPS 13-14B was not submitted to Finance until October 16, 2013. Pursuant to HSC section 34177 (m) (2), if the Agency does not submit the ROPS within ten days of the October 1, 2013 deadline, the Agency's administrative allowance should be reduced by 25 percent. As such, the available administrative allowance of \$125,000 for the ROPS 13-14B has been reduced by \$31,250 ($\$125,000 \times 25$ percent) to \$93,750 ($\$125,000 - \$31,250$). The Agency stated that the ROPS was submitted on September 27, 2013 but was rejected because the Oversight Board resolution and approved spreadsheet were dated August 14, 2013, which was prior to Finance's release of the ROPS 13-14B spreadsheets. HSC section 34177 (m) (1) states that the successor agency shall complete the ROPS in the manner provided for by Finance. Therefore, the

Agency's initial submission was not valid as it was not in the manner provided for by Finance.

In addition, per Finance's letter dated November 14, 2013, we continue to make various adjustments that were not contested by the Agency during the Meet and Confer. For funding sources other than RPTTF, Finance made adjustments to the Prior Period Adjustments form to ensure consistency with the funding sources and amounts approved by Finance. HSC Section 34177 (a) (3) states that the Agency can only make payments listed on the ROPS, from the funds listed and authorized by Finance. In addition, adjustments were made to the Fund Balances form based upon information provided by the Agency during our review. Although these adjustments have no effect on the amount of RPTTF the Agency receives, they will affect the Agency's fund balances for the funds sources involved.

Based upon a review of the Agency's Prior Period Adjustment form the following adjustments were made:

- Item No. 2 – Police Station Installment Agreement in the amount of \$68,952 should be zero. Finance did not authorize \$68,952 in Reserve Balances during ROPS III period. Therefore, Finance adjusted the authorized amount from \$68,952 to zero to reflect the correct authorized amount.
- Item No. 33 – Insufficient funds in the amount of negative \$322,256 should not be part of the Agency's Prior Period Adjustment Form (PPA). If the Agency did not receive the full RPTTF amounts approved, the actual distribution reflects the shortfall. Therefore, Finance has removed the item from the PPA Form.

Based upon a review of the Fund Balances form and information provided by the Agency in the e-mail dated November 19, 2013, the following adjustments were made:

- Beginning Available Fund Balance (Actual 01/01/13) – Bonds Issued on or before December 31, 2010 in the amount of zero should be \$3,697,173. Therefore, the amount has been adjusted by \$3,697,173.
- Beginning Available Fund Balance (Actual 01/01/13) – RPTTF balances retained for bond reserves in the amount of \$3,697,173 should be zero. Therefore, the amount has been adjusted to zero.
- Revenue/Income (Estimate 12/31/13) – Non-Admin RPTTF for ROPS 13-14A distributions from the County Auditor-Controller in the amount of \$1,466,309 should be \$1,591,309. Therefore, this amount has been adjusted by \$125,000.

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 table below includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

The Agency's maximum approved RPTTF distribution for the reporting period is \$2,004,399 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2014	
Total RPTTF requested for non-administrative obligations	1,979,601
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations	\$ 2,104,601
Total RPTTF requested for non-administrative obligations	1,979,601
<u>Denied Item</u>	
Item No. 2	(68,952)
Total RPTTF approved for non-administrative obligations	1,910,649
Total RPTTF requested for administrative obligations	125,000
25% administrative cost reduction pursuant to HSC section 34177 (m) (2)	(31,250)
Total RPTTF allowable for administrative obligations	93,750
Total RPTTF approved for obligations	2,004,399
ROPS III prior period adjustment	-
Total RPTTF approved for distribution	\$ 2,004,399

Pursuant to HSC section 34177 (l) (1) (E), agencies are required to use all available funding sources prior to RPTTF for payment of enforceable obligations. Beginning with the ROPS 13-14B period, Finance required successor agencies to identify fund balances for various types of funds in its possession. During our ROPS 13-14B review, Finance requested financial records to support the fund balances reported by the Agency; however, Finance was unable to reconcile the financial records to the amounts reported. As a result, Finance will continue to work with the Agency after the ROPS 13-14B review period to properly identify the Agency's fund balances. If it is determined the Agency possesses fund balances that are available to pay approved obligations, the Agency should request the use of these fund balances prior to requesting RPTTF in ROPS 14-15A.

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/.

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 section 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 Evelyn Suess, Dispute Resolution Supervisor, or Mary Halterman, Analyst, at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Assistant Program Budget Manager

cc: Mr. David Lane, City Manager, City of Blythe
Ms. Pam Elias, Chief Accountant Property Tax Division, Riverside County
California State Controller's Office