

May 17, 2016

Ms. Christa Elms, Interim Finance Director  
City of Blythe  
235 North Broadway  
Blythe, CA 92225

Dear Ms. Elms:

Subject: 2016-17 Annual Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 14, 2016. Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Blythe Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule for the period of July 1, 2016 through June 30, 2017 (ROPS 16-17) to Finance on February 1, 2016. Finance issued a ROPS determination letter on April 14, 2016. Subsequently, the Agency requested a Meet and Confer session on one or more of the determinations made by Finance. The Meet and Confer session was held on April 29, 2016.

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 determinations being disputed.

- Item No. 39 – 2015 Tax Allocation Refunding Bond (2015 Bonds) unfunded liability in the amount of \$205,605 Redevelopment Property Tax Trust Fund (RPTTF). Finance no longer denies this item. It is our understanding that the 2015 Bonds refunded Series 2004 and 2005A Tax Allocation Bonds (prior bonds), previously listed as Item Nos. 10 and 11. Finance previously denied this item because the Agency contended RPTTF received during the period January 1, 2016 through June 30, 2016 (ROPS 15-16B) for the prior bonds was insufficient to pay the 2015 Bonds debt service payment due in May 1, 2016. At that time, it was determined that there was sufficient RPTTF from the July 1, 2015 through December 30, 2015 (ROPS 15-16A) and ROPS 15-16B distributions, which should have been applied towards May 1, 2016 payment, because the bond refunding took place in September 2015, prior to the November 2015 debt service payment for the prior bonds.

During Meet and Confer, the Agency has provided sufficient documentation to demonstrate that the November 1, 2015 payment for the prior bond had been remitted to the trustee at the time of refunding. In addition, per the 2015 Bond debt service schedule the May 1, 2016 payment was \$904,748 where the prior bond RPTTF distribution for the May 2016 payment was only \$692,751. This created a difference of \$211,997 that was not requested on ROPS 15-16B. As such, Finance concludes that due to the nature of

bond refunding process the Agency was unable to request the necessary amount of RPTTF to meet the debt service payment on the 2015 Bond and therefore the requested \$205,605 in RPTTF is approved.

- Item Nos. 40 through 48 – Replenish bond reserve accounts with a total outstanding amount of \$196,589. Finance continues to deny this item. Finance has previously denied this request because the Agency claimed that the Reserve funds were used to supplement the November 2015 payment due to a ROPS 15-16B distribution shortfall. However, our review determined that the RPTTF distribution for the ROPS 15-16B period was sufficient to meet the required debt service payment and should have been applied towards debt service prior to fulfilling other enforceable obligations approved on the ROPS. During Meet and Confer, the Agency contested that the Reserve funds need to be replenished due to ROPS I and ROPS II distribution shortfalls and the July true-up payment remittance to the Riverside County Auditor Controller (CAC). Specifically, the Agency states that the June 6, 2012 RPTTF distribution in the amount of \$1,780,949 was to fund ROPS I and ROPS II authorized obligations that totaled \$3,066,506, thereby creating a shortfall of \$1,285,557. In addition, the Agency claims that the July true-up, in the amount of \$593,473, was remitted to the Riverside County, which further exacerbated their shortfall. However, based on our review and information received from the Riverside CAC the Agency received a full distribution for the ROPS I and II periods, as specified in the table below:

<b>Authorized RPTTF</b>	<b>FY 2011-12</b>
January – June (ROPS I)	\$1,683,416.00
July – December (ROPS II)	\$1,383,090.00
<b>Total</b>	<b>\$3,066,506</b>
<b>Available RPTTF</b>	
Total Distributed	\$4,057,838.62
Less Demand Payment	\$593,473.39
Less Pass through returned	\$397,858.50
<b>Total</b>	<b>\$3,066,506</b>

Therefore, the Agency had sufficient RPTTF funding to satisfy all debt service payments due during the ROPS I and II periods, and therefore there was no need to draw down bond reserve account funds. Therefore, these items are not an enforceable obligation and the total requested amount of \$196,589 in RPTTF funding is not allowed.

- Item No. 49 – 2011A Bond Proceeds Funding Agreement with a total outstanding amount of \$142,677. Finance continues to deny this item. Finance previously denied this item because the Agency's request to expend additional bond proceeds exceeded five percent of the 2011A bond proceeds that the Agency was allowed to expend in accordance with the post compliance provisions of law. During the Meet and Confer session the Agency contested that the amount of bond proceeds previously expended was for enforceable obligations approved on the ROPS and should not be applied towards the five percent cap. Additional review indicates that although Finance authorized expenditures of 2011-bond proceeds for projects consistent with the original bond covenants, these bond proceeds were not encumbered for enforceable obligations

and therefore those expenditures must be counted towards the five percent cap pursuant to HSC section 34191.4 (c) (2).

In addition, per Finance's letter dated April 14, 2016, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

- Item No. 6 – 2000 Tax Allocation Bond Series A in the amount of \$24,153 has been adjusted. The Agency incorrectly requested Redevelopment Property Tax Trust Fund (RPTTF) in the amount of \$4,468 during the January 1, 2017 through June 30, 2017 period (ROPS B period), which should be \$44,685. With the Agency's concurrence, Finance adjusted the requested amount to \$44,685, an increase of \$40,217 in RPTTF funding for the ROPS B period.

Except for the items denied in whole or item that has been adjusted, Finance is not objecting to the remaining items listed on your ROPS 16-17.

On the ROPS 16-17 form, the Agency reported cash balances and activity for the period of July 1, 2015 through June 30, 2016. Finance performs a review of the Agency's self-reported cash balances on an ongoing basis. Be prepared to submit financial records and bridging documents to support the cash balances reported upon request. If it is determined the Agency possesses cash balances that are available to pay approved enforceable obligations, HSC section 34177 (l) (1) (E) requires these balances to be used prior to requesting RPTTF.

The Agency's maximum approved RPTTF distribution for the reporting period is \$4,915,851 as summarized in the Approved RPTTF Distribution Table on Page 5 (See Attachment).

ROPS distributions will occur twice annually, one distribution for the July 1, 2016 through December 31, 2016 (ROPS A period), and one distribution for the ROPS B period based on Finance's approved amounts. Since Finance's determination is for the entire ROPS 16-17 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B distributions.

On the ROPS 16-17 form, the Agency was not required to report the estimated obligations versus actual payments (prior period adjustment) associated with the July 1, 2015 through December 31, 2015 period (ROPS 15-16A). The Agency will report actual payments for ROPS 15-16A and ROPS 15-16B on the ROPS 18-19 form pursuant to HSC section 34186 (a) (1). A prior period adjustment will be applied to the Agency's future RPTTF distribution. Therefore, the Agency should retain any difference in unexpended RPTTF.

Please refer to the ROPS 16-17 schedule used to calculate the total RPTTF approved for distribution:

<http://www.dof.ca.gov/redevelopment/ROPS>

This is Finance's determination related to the enforceable obligations reported on your ROPS for the period July 1, 2016 through June 30, 2017. This determination only applies to items when funding was requested for the 12-month period. Finance's determination is effective for this time period only and should not be conclusively relied upon for future ROPS periods. All items listed on a future ROPS are subject to review and may be denied even if it was not denied on this ROPS or a preceding ROPS. The only exception is for items that have received a Final

and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). Finance's review of Final and Conclusive items 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 available prior to the enactment of the redevelopment dissolution statutes. 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 Agency in the RPTTF.

Please direct inquiries to Evelyn Suess, Dispute Resolution Supervisor, or Nicole Prisakar at (916) 445-1546.

Sincerely,



JUSTYN HOWARD  
Program Budget Manager

cc: Ms. Pam Elias, Chief Accountant Property Tax Division, Riverside County

**Attachment**

<b>Approved RPTTF Distribution</b>			
<b>For the period of July 2016 through June 2017</b>			
	<b>ROPS A Period</b>	<b>ROPS B Period</b>	<b>Total</b>
Requested RPTTF (excluding administrative obligations)	\$ 3,003,853	\$ 1,818,370	\$ 4,822,223
Requested Administrative RPTTF	125,000	125,000	250,000
<b>Total RPTTF requested for obligations on ROPS 16-17</b>	<b>3,128,853</b>	<b>1,943,370</b>	<b>\$ 5,072,223</b>
Adjustment to Agency Requested RPTTF (Item No. 6)	0	40,217	40,217
<b>Total RPTTF requested</b>	<b>3,003,853</b>	<b>1,858,587</b>	<b>4,862,440</b>
<b>Denied Items</b>			
Item No. 40	(7,742)	0	(7,742)
Item No. 41	(22,568)	0	(22,568)
Item No. 42	(7,406)	0	(7,406)
Item No. 43	(11,050)	0	(11,050)
Item No. 44	(3,230)	0	(3,230)
Item No. 45	(24,067)	0	(24,067)
Item No. 46	(13,936)	0	(13,936)
Item No. 47	(77,905)	0	(77,905)
Item No. 48	(28,685)	0	(28,685)
	(196,589)	0	(196,589)
<b>Total RPTTF authorized</b>	<b>2,807,264</b>	<b>1,858,587</b>	<b>\$ 4,665,851</b>
<b>Total Administrative RPTTF authorized</b>	<b>125,000</b>	<b>125,000</b>	<b>\$ 250,000</b>
<b>Total RPTTF approved for distribution</b>	<b>2,932,264</b>	<b>1,983,587</b>	<b>\$ 4,915,851</b>