



April 26, 2012

Hannah Chung, Finance Director
City of Tehachapi
115 S. Robinson Street
Tehachapi, CA 93561

Dear Ms. Chung:

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the City of Tehachapi Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS) to the California Department of Finance (Finance) on April 12, 2012 for the period January through June 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:

- Items 5, 6 and 8, page 1, for various projects totaling \$71,000. The loan agreement and contracts identify the City as responsible party and is therefore, not EOs of the Agency.
- Items 11 through 17 and 20 - administrative expenses for \$53,482. HSC section 34171 (b) limits administrative expenses to five percent of property tax allocated to the successor agency or \$250,000, whichever is greater. The Agency's five-percent property tax allocation for fiscal year 2011-12 is \$26,533. Therefore, the Agency is limited to the \$250,000 minimum funding for administrative expense.

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.

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.

Please direct inquiries to Evelyn Seuss, Supervisor or Douglas Evans, Lead Analyst at (916) 322-2985.

Sincerely,

MARK HILL
Program Budget Manager

cc: Mr. Jason D. Claude, Tehachapi City Manager
Ms. Ann K. Barnett, Kern County Auditor-Controller