



December 18, 2012

Linda Hollinsworth, Finance Director
City of Arvin
200 Campus Drive
Arvin, CA 93203

Dear Ms. Hollinsworth:

Subject: Recognized Obligation Payment Schedule

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated October 14, 2012. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Arvin Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on August 31, 2012 for the period of January 1 through June 30, 2013. Finance issued its determination related to those enforceable obligations on October 14, 2012. 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 October 29, 2012.

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 item being disputed.

- Item No. 9 and 10 – City loans and advances totaling \$1 million. Finance continues to deny the Items at this time. Finance denied the item as HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city that created the RDA and the former RDA are not enforceable. The Agency stated that these loans were related to insufficient RPTTF being received in prior ROPS periods. We note that the City of Arvin is allowed to loan money to the Agency to pay approved enforceable obligations should insufficient RPTTF materialize. That loan may be listed on the subsequent ROPS for repayment. However, those loans must be approved by the Oversight Board with, terms, repayment schedule, and items to be paid clearly identified. It is our understanding that no distinct/separate Oversight Board approval has been received for the loans. Therefore, the Agency should go through the appropriate steps to memorialize the loans. Once approved by the Oversight Board, the loans may be listed on the next ROPS for repayment.

In addition, per Finance's determination letter dated October 14, 2012, the following items, which was not disputed, continues to be denied or reclassified:

- Item No. 11 and 12 – City loans and advances totaling \$1 million. Finance continues to deny the Items at this time. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city that created the RDA and the former RDA are not enforceable, unless issued within two years of the RDA's creation date or for

issuance of indebtedness to third-party investors or bondholders. The Agency was established in 1989; therefore, these items are not enforceable obligations at this time. Upon receiving a Finding of Completion from Finance, HSC section 34191.4 (b) may allow these items to be enforceable in future ROPS periods.

- Item No. 17 – Although enforceable, administrative services are considered an administrative expense and have been reclassified.

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is: \$360,000 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2013	
Total RPTTF funding requested for obligations	\$ 360,000
Less: Six-month total for item(s) denied or reclassified as administrative cost	
Item 9	0
Item 10	0
Item 11	0
Item 12	0
Item 17 *	30,000
Total approved RPTTF for enforceable obligations	<u>\$ 330,000</u>
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	<u>30,000</u>
Total RPTTF approved:	\$ 360,000

* Reclassified as administrative cost

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS III form the estimated obligations and actual payments associated with the January through June 2012 period. The amount of RPTTF approved in the above table will be adjusted by the county auditor-controller to account for differences between actual payments and past estimated obligations. Additionally, these estimates and accounts are subject to audit by the county auditor-controller and the State Controller.

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

Except for items disallowed as noted above, Finance is not objecting to the remaining items listed in your ROPS III. Obligations deemed not to be enforceable shall be removed from your ROPS. This is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2013. 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 questioned on this ROPS or a preceding ROPS.

Ms. Hollinsworth
December 18, 2012
Page 3

Please direct inquiries to Evelyn Suess, Dispute Resolution Supervisor, or Danielle Brandon, Analyst, at (916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Mr. Tim Chapa, City Manager, City of Arvin
Ms. Ann K. Barnett, Auditor Controller, Kern County
California State Controller's Office