



December 18, 2012

Ms. Helen Colbert, Director of Finance
Blythe Successor Agency
235 No. Broadway
Blythe, CA 92225

Dear Ms. Colbert:

Subject: Recognized Obligation Payment Schedule

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated October 15, 2012. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Blythe 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 15, 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 Thursday, November 1, 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 items being disputed.

- Item 26, College Reservoir Recoat Project in the amount of \$140,000 from bond funds – Finance continues to deny this item. Finance denied the item as an enforceable obligation as HSC section 34163 (b) prohibits a redevelopment agency (RDA) from entering into a contract with any entity after June 27, 2011, and there was no contract in place. The Agency contends the item is an enforceable obligation because the former RDA Board approved this project on March 8, 2011, the contract was approved by the Blythe City Council on June 14, 2011, the Notice of Award was issued on June 16, 2011, and the Acceptance Notice from Cor-ray Painting Company was signed on June 20, 2011. While the former RDA Board approved funding for this project on March 8, 2011, no contracts were entered into by June 27, 2011 and HSC section 34163 (b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011. We note that pursuant to HSC section 34191.4 (c), successor agencies that have been issued a Finding of Completion by Finance will be allowed to use excess proceeds from bonds issued prior to December 31, 2010 for the purposes for which the bonds were issued. Successor Agencies are required to defease or repurchase on the open market for cancellation any bonds that cannot be used for the purpose they were issued or if they were issued after December 31, 2010. The bond proceeds requested for use were issued in February 2011. As such, those proceeds cannot be utilized for this project. However, to the extent the Agency has excess 2008 bond proceeds that can be utilized

on this project, Finance agrees that the item may be an enforceable obligation in future ROPS periods.

- Item 27, Mesa Ranch Sewer System in the amount of \$2.4 million from bond funds – Finance continues to deny this item. Finance denied the item as an enforceable obligation as HSC section 34163 (b) prohibits a RDA from entering into a contract with any entity after June 27, 2011, and there was no contract in place. The Agency contends the item is an enforceable obligation because tax exempt bonds were issued in February 2011 in order to move forward with this project and the project was completely engineered and was approximately a week away from going out to a formal bid when AB1X 26 was approved. However, bonds funds not contractually obligated prior to June 28, 2011, must be defeased or repurchased on the open market for cancellation. Per HSC section 34191.4 (c), successor agencies who have been issued a Finding of Completion by Finance are allowed to enter into enforceable obligations to use excess proceeds from bonds issued prior to December 31, 2010, for the purposes for which the bonds were issued. Successor agencies are required to defease or repurchased on the open market for cancellation any bonds that cannot be used for the purpose they were issued or if they were issued after December 31, 2010. The bonds were issued on February 1, 2011. Therefore, this item is not an enforceable obligation.
- Item 29, Bell Lane Renovation Project in the amount of \$915,000 from low and moderate income housing funds – Finance continues to deny this item. Finance denied the item as an enforceable obligation as HSC section 34163 (b) prohibits a RDA from entering into a contract with any entity after June 27, 2011, and there was no contract in place. The Agency contends the item is an enforceable obligation because the City of Blythe contracted with Rancho Housing Alliance Inc., a private/non-profit organization on June 24, 2011, to conduct a survey of those interested in participating and to income-qualify owners/residents. The second piece of the project is the actual rehabilitation of homes. However, no contracts were executed for the actual rehabilitation of homes and HSC section 34163 (b) prohibits a RDA from entering into a contract with any entity after June 27, 2011. Therefore, this line item is not an enforceable obligation.

In addition, per Finance's Recognized Obligation Payment Schedule letter dated October 15, 2012, the following items were denied:

- Administrative costs claimed for RPTTF exceed the allowance by \$11,165. HSC section 34171 (b) limits the 2012-13 administrative expenses to three percent of property tax allocated to the Agency or \$250,000, whichever is greater. Additionally, Item Nos. 18 and 20 were reclassified as administrative expenses.

| | |
|-------------------------------------------------------------|------------|
| Amount administrative costs for fiscal year 2012-13 | \$ 250,000 |
| Administrative costs claimed for July through December 2012 | 125,000 |
| Administrative costs claimed for January through June 2013 | 136,165 |
| Overage | \$ 11,165 |

The Agency's maximum approved RPTTF distribution for the reporting period is: \$2,201,198 as summarized below:

| Approved RPTTF Distribution Amount For the period of January through June 2013 | |
|-------------------------------------------------------------------------------------------|---------------------|
| Total RPTTF funding requested for obligations | \$ 2,087,363 |
| Less: Six-month total for items reclassified as administrative cost | |
| Item 18* | 6,000 |
| Item 20* | 5,165 |
| Total approved RPTTF for enforceable obligations | \$ 2,076,198 |
| Plus: Allowable RPTTF distribution for administrative cost for ROPS III | 125,000 |
| Total RPTTF approved: | \$ 2,201,198 |

*: Reclassified as administrative cost.

| Administrative Cost Calculation | |
|------------------------------------------------------------------------------------|---------------------|
| Total RPTTF for the period July through December 2012 | \$ 1,655,949 |
| Total RPTTF for the period January through June 2013 | 2,076,198 |
| Total RPTTF for fiscal year 2012-13: | \$ 3,732,147 |
| Allowable administrative cost for fiscal year 2012-13 (Greater of 3% or \$250,000) | 250,000 |
| Administrative allowance for the period of July through December 2012 | 125,000 |
| Allowable RPTTF distribution for administrative cost for ROPS III: | \$ 125,000 |

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.

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

Sincerely,



Steve Szalay
Local Government Consultant

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