



December 18, 2012

Mr. John Quinn, Finance Director
City of Calexico
608 Heber Avenue
Calexico, CA 92231

Dear Mr. Quinn:

Subject: Recognized Obligation Payment Schedule

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated October 13, 2012. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Calexico Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on August 30, 2012 for the period of January 1 through June 30, 2013. Finance issued its determination related to those enforceable obligations on October 13, 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 November 27, 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. 17 – Second Street/Anza Road project in the amount of \$2.8 million of bond funds. Finance continues to deny the item at this time. Finance denied the item as HSC section 34163(b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011. No contracts have been executed to establish item as enforceable obligation. The Agency requested further clarification. Since there are no contracts in place, the item is not eligible for bond funding at this time. However, successor agencies will be eligible to expend bonds issued prior to January 1, 2011, once a finding of completion is received per 34191.4 (c). Those obligations should be reported on a subsequent ROPS.
- Item Nos. 10 and 12 – Legal Services totaling \$69,000 were reclassified as administrative costs. Finance continues to reclassify the items as administrative costs. The Agency contends the items are enforceable obligations because HSC Section 34171 (d) (1) (F) states contracts or agreements necessary for the administration or operation of the Agency are enforceable obligations. Finance agrees that these costs are enforceable obligations; however, they are subject to and should be funded from the administrative cost allowance. HSC section 34171 (b) allows litigation expenses related to assets or obligations to be funded with property tax outside the administrative cap. However, Items 10 and 12 relate to general legal representation and not specifically to

bringing or contesting a legal action in court; therefore, they are considered administrative costs.

- Finance initially determined that administrative costs claimed for RPTTF exceed the allowance by \$165,500. 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. Administrative costs totaling \$221,500 were approved by Finance for the July through December 2012 period; however, due to insufficient RPTTF, the county auditor controller disbursed \$0 for the administrative allowance. Therefore, the Agency has sufficient administrative allowance remaining for the January through June 2013 period to cover the \$194,000 requested.

	Initial Amount	Final Amount
Allowable administrative cost amount for fiscal year 2012-13	\$250,000	\$250,000
Administrative costs claimed for July through December 2012	221,500	0
Administrative costs claimed for January through June 2013*	194,000	194,000
Overage	\$165,500	\$0

* Item Nos. 10 and 12 – Legal Services totaling \$69,000 were reclassified as administrative cost.

The Agency's maximum approved RPTTF distribution for the reporting period is \$1,867,442 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2013	
Total RPTTF funding requested for obligations	\$ 1,742,442
Less: Six-month total for items as administrative cost	
Item 10	39,000
Item 12	30,000
Total approved RPTTF for enforceable obligations	<u>\$ 1,673,442</u>
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	194,000
Total RPTTF approved:	\$ 1,867,442

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.

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. Oscar G. Rodriguez, City Manager, City of Calexico
Mr. Douglas R. Newland, Auditor-Controller, Imperial County
California State Controller's Office