



December 18, 2012

Mr. Sean Scully, Assistant City Manager
City of Gustine
P.O. Box 16
Gustine, CA 95322

Dear Mr. Scully:

Subject: Recognized Obligation Payment Schedule

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated November 2, 2012. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Gustine Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on October 4, 2012 for the period of January 1 through June 30, 2013. Finance issued its determination related to those enforceable obligations on November 2, 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 20, 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. 1 – City Loan in the amount of \$285,451. Finance continues to deny the item. Finance denied the item as HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city that created the redevelopment agency (RDA) and the former RDA are not enforceable. The Agency is in agreement with Finance's previous determination and stated that the amount of the loan is for the former RDA's redevelopment plan adoption costs and is the only outstanding item. However, because the Agency does not receive and will not be receiving property tax distributions pursuant to HSC section 33670, there are no provisions in the law for repayment of the City's loan. HSC section 34171 (d) defines an enforceable obligation and this item does not qualify as an enforceable obligation.

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. This is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2013.

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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. Greg Greeson, City Manager, City of Gustine
Ms. Mary Hemminger, Deputy City Clerk, City of Gustine
Ms. Sylvia Sanchez, Supervising Accountant, County of Merced
California State Controller's Office