



October 19, 2012

Mr. Nick Wells, Finance Manager  
City of Holtville  
121 W. Fifth Street  
Holtville, CA 92250

Dear Mr. Wells:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Holtville Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on September 4, 2012 for the period of January through June 2013. Finance has completed its review of your ROPS III, which may have included obtaining clarification for various items.

HSC section 34171 (d) defines enforceable obligations. Based on a sample of line items reviewed and application of the law, the following do not qualify as enforceable obligations:

- Item No. 5 – Litigation costs in the amount of \$140,000. This is an estimated amount to be paid to Richards, Watson & Gershon for litigation involving the Holtville Unified School District. HSC section 34177 (b) allows reserves required for indentures, trust indentures, or similar documents governing the issuance of outstanding RDA bonds. The statute does not currently recognize contingent or unknown obligations, thus creation of reserves for such items are not permissible. Therefore, the reserve for the projected litigation costs is not an enforceable obligation and not eligible Redevelopment Property Tax Trust Fund (RPTTF) funding.
- No contracts have been executed for the following items; therefore, they are not enforceable obligations and not eligible for use of bond proceeds.
  - Item No. 10 – Low Income Housing Projects in the amount of \$1 million.
  - Item No. 11 – Public Safety Building in the amount of \$1.6 million.

Upon receiving a Finding of Completion from Finance, HSC section 34191.4 (b) may cause these items to be enforceable in future ROPS periods.

- Administrative costs claimed for RPTTF exceed the allowance by \$21,000. 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. 7, 8, and 9 were reclassified as administrative costs.

Amount administrative costs for fiscal year 2012-13	\$250,000
Administrative costs claimed for July through December 2012	100,000
Administrative costs claimed for January through June 2013	171,000
Overage	\$21,000

Except for items denied in whole or in part as enforceable obligations as noted above, Finance is approving the remaining items listed in your ROPS III. If you disagree with the determination with respect to any items on your ROPS III, you may request a Meet and Confer within five business days of the date of this letter. The Meet and Confer process and guidelines are available at Finance's website below:

[http://www.dof.ca.gov/redevelopment/meet\\_and\\_confer/](http://www.dof.ca.gov/redevelopment/meet_and_confer/)

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is \$530,956 as summarized below:

<b>Approved RPTTF Distribution Amount For the period of January through June 2013</b>	
Total RPTTF funding requested for obligations	\$ 506,956
Less: Six-month total for items denied or reclassified as administrative cost	
Item No. 5	80,000
Item No. 7*	6,000
Item No. 8*	15,000
Item No. 9*	25,000
Total approved RPTTF for enforceable obligations	\$ 380,956
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	150,000
<b>Total RPTTF approved:</b>	<b>\$ 530,956</b>

\*: Reclassified as administrative cost

<b>Administrative Cost Calculation</b>	
Total RPTTF for the period July through December 2012	\$ 381,013
Total RPTTF for the period January through June 2013	380,956
<b>Total RPTTF for fiscal year 2012-13:</b>	<b>\$ 761,969</b>
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	100,000
<b>Allowable RPTTF distribution for administrative cost for ROPS III:</b>	<b>\$ 150,000</b>

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.

Please refer to the ROPS III schedule that was used to calculate the approved RPTTF amount:

<http://www.dof.ca.gov/redevelopment/ROPS/ROPS III Forms by Successor Agency/>.

All items listed on a future ROPS are subject to a subsequent review. An item included on a future ROPS may be denied even if it was not questioned from the preceding ROPS.

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.

Please direct inquiries to Beliz Chappuie, Supervisor or Cindie Lor, Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY  
Local Government Consultant

cc: Mr. Alex Meyerhoff, City Manager, City of Holtville  
Mr. Douglas R. Newland, Auditor-Controller, Imperial County