



December 18, 2012

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

Dear Mr. Wells:

Subject: Recognized Obligation Payment Schedule

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated October 19, 2012. 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 1 through June 30, 2013. Finance issued its determination related to those enforceable obligations on October 19, 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 Wednesday, November 21, 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 No. 5 – Litigation costs in the amount of \$140,000. Finance continues to deny the item at this time. Finance denied the item as an enforceable obligation as 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. The Agency contends the item is an enforceable obligation because this is for continuing work by the attorneys representing the Successor Agency, which has been estimated and approved during each ROPS period based on past billings. HSC section 34171 (b) allows litigation expenses related to assets or obligations to be funded with property tax outside the administrative cap. However, the Agency did not provide documents showing how the amount was estimated or that the former RDA was a party to a lawsuit. Therefore, this item is currently not an enforceable obligation.

In addition, per Finance's ROPS letter dated October 19, 2012, the following items not disputed by the Agency continue to be denied:

- No contracts have been executed for the following items; therefore, they are not enforceable obligations and not eligible for use of bond proceeds.

- o Item No. 10 – Low Income Housing Projects in the amount of \$1 million.
- o 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

The Agency's maximum approved RPTTF distribution for the reporting period is: \$530,956 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2013	
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
Total RPTTF approved:	\$ 530,956

*: Reclassified as administrative cost

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

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.

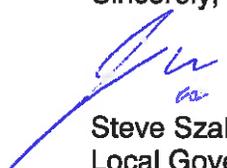
The amount available from the RPTTF is the same as the property tax increment that was available prior to enactment of ABx1 26 and AB 1484. This amount is not and never was an

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.

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