



November 26, 2013

Mr. Frank J Luckino, Finance Director
City of Blythe
235 North Broadway
Blythe, CA 92225

Dear Mr. Luckino:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Blythe Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14B) to the California Department of Finance (Finance) on October 16, 2013 for the period of January through June 2014. Finance has completed its review of your ROPS 13-14B, 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 does not qualify as an enforceable obligation for the reasons specified:

- Item No. 2 – Police Station Installment Agreement in the amount of \$68,952. The Agency received a Finding of Completion on August 30, 2013. As such, the Agency may place loan agreements between the former redevelopment agency and sponsoring entity on the ROPS, as an enforceable obligation, provided the oversight board makes a finding that the loan was for legitimate redevelopment purposes per HSC section 34191.4 (b) (1). However, HSC section 34176 (e) (6) (B) specifies loan or deferral repayments to the LMIHF shall not be made prior to fiscal year 2013-14. While ROPS 13-14B falls within fiscal year 2013-14, the repayment of these City loans is subject to the repayment formula outlined in HSC section 34191.4 (b) (2) (A).

HSC section 34191.4 (b) (2) (A) allows this repayment to be equal to one-half of the increase between the ROPS residual amounts distributed to the taxing entities in that fiscal year and the ROPS residual amounts distributed to the taxing entities in the 2012-13 base year. Since the formula does not allow for estimates, the Agency must wait until the ROPS residual pass-through distributions are known for fiscal year 2013-14 before requesting funding for this obligation. Therefore, this item is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding at this time.

- ROPS 13-14B was not submitted to Finance until October 16, 2013. Pursuant to HSC 34177 (m) (2), if the Agency does not submit ROPS within ten days of the October 1, 2013 deadline, the Agency's administrative allowance should be reduced by 25 percent. As such, available administrative cost of \$125,000 has been reduced by \$31,250 ($\$125,000 * 25\%$) to \$93,750 ($\$125,000 - \$31,250$).

For funding sources other than RPTTF, Finance made adjustments to the Prior Period Adjustments form to ensure consistency with the funding sources and amounts approved by Finance. HSC Section 34177 (a) (3) states that the Agency can only make payments listed on the ROPS, from the funds listed and authorized by Finance. In addition, adjustments were made to the Fund Balances form based upon information provided by the Agency during our review. Although these adjustments have no effect on the amount of RPTTF the Agency receives, they will affect the Agency's fund balances for the funds sources involved.

Based upon a review of the Agency's Prior Period Adjustment form the following adjustments were made:

- Item No. 2 – Police Station Installment Agreement in the amount of \$68,952 should be zero. Finance did not authorize \$68,952 in Reserve Balances during ROPS III period. Therefore, Finance adjusted the authorized amount from \$68,952 to zero to reflect the correct authorized amount.
- Item No. 33 – Insufficient funds in the amount of negative \$322,256 should not be part of the Agency's Prior Period Adjustment Form (PPA). If the Agency did not receive the full RPTTF amounts approved, the actual distribution reflects the shortfall. Therefore, Finance has removed the item from the PPA Form.

Based upon a review of the Fund Balances form and information provided by the Agency in the e-mail dated November 19, 2013, the following adjustments were made:

- Beginning Available Fund Balance (Actual 01/01/13) – Bonds Issued on or before December 31, 2010 in the amount of zero should be \$3,697,173. Therefore, the amount has been adjusted by \$3,697,173.
- Beginning Available Fund Balance (Actual 01/01/13) – RPTTF balances retained for bond reserves in the amount of \$3,697,173 should be zero. Therefore, the amount has been adjusted to zero.
- Revenue/Income (Estimate 12/31/13) – Non-Admin RPTTF for ROPS 13-14A distributions from the County Auditor-Controller in the amount of \$1,466,309 should be \$1,591,309. Therefore, this amount has been adjusted by \$125,000.

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14B form the estimated obligations and actual payments (prior period adjustments) associated with the January through June 2013 period. HSC Section 34186 (a) also specifies that the prior period adjustments self-reported by successor agencies are subject to audit by the county auditor-controller (CAC) and the State Controller. The amount of RPTTF approved in the table below includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

The Agency's maximum approved RPTTF distribution for the reporting period is \$2,004,399 as summarized below:

Approved RPTTF Distribution Amount	
For the period of January through June 2014	
Total RPTTF requested for non-administrative obligations	1,979,601
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations	\$ 2,104,601
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Total RPTTF requested for non-administrative obligations	1,979,601
<u>Denied Item</u>	
Item No. 2	(68,952)
Total RPTTF approved for non-administrative obligations	1,910,649
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Total RPTTF requested for administrative obligations	125,000
25% administrative cost reduction pursuant to HSC section 34177 (m) (2)	(31,250)
Total RPTTF allowable for administrative obligations	93,750
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Total RPTTF approved for obligations	2,004,399
ROPS III prior period adjustment	-
Total RPTTF approved for distribution	\$ 2,004,399

Pursuant to HSC section 34177 (l) (1) (E), agencies are required to use all available funding sources prior to RPTTF for payment of enforceable obligations. Beginning with the ROPS 13-14B period, Finance required successor agencies to identify fund balances for various types of funds in its possession. During our ROPS 13-14B review, Finance requested financial records to support the fund balances reported by the Agency; however, Finance was unable to reconcile the financial records to the amounts reported. As a result, Finance will continue to work with the Agency after the ROPS 13-14B review period to properly identify the Agency's fund balances. If it is determined the Agency possesses fund balances that are available to pay approved obligations, the Agency should request the use of these fund balances prior to requesting RPTTF in ROPS 14-15A.

Please refer to the ROPS 13-14B schedule that was used to calculate the approved RPTTF amount:

http://www.dof.ca.gov/redevelopment/ROPS/ROPS_13-14B_Forms_by_Successor_Agency/.

Absent a Meet and Confer, this is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2014. This determination applies only to items where funding was requested for the six month period. 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 denied on this ROPS or a preceding ROPS. The only exception is for those items that have received a Final and Conclusive determination from Finance pursuant to HSC 34177.5 (i). Finance's review of items that have received a Final and Conclusive determination is limited to confirming the scheduled payments as required by the obligation.

The amount available from the RPTTF is the same as the amount of 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.

To the extent proceeds from bonds issued after December 31, 2010 exist and are not encumbered by an enforceable obligation pursuant to HSC section 34171 (d), HSC section 34191.4 (c)(2)(B) requires these proceeds be used to defease the bonds or to purchase those same outstanding bonds on the open market for cancellation.

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

Sincerely,



JUSTYN HOWARD
Assistant Program Budget Manager

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