



April 17, 2014

Mr. Nick Wells, Finance Manager
City of Holtville
121 West 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 14-15A) to the California Department of Finance (Finance) on March 3, 2014 for the period of July through December 2014. Finance has completed its review of your ROPS 14-15A, 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 for the reasons specified:

- Item No. 1 – Unpaid portion of June 1, 2012 RPTTF Tax Allocation in the amount of \$164,597. During the ROPS III period, the Agency requested and was approved to receive \$211,765 of Redevelopment Property Tax Trust Fund (RPTTF) for this item but only received \$91,409 distribution from the County Auditor-Controller (CAC). Finance approved the difference of \$120,356 (\$211,765 - \$91,409), which was the unpaid portion of this item during the ROPS 13-14B review.

On November 15, 2013, Finance authorized \$403,973 of RPTTF for the ROPS 13-14B period but the Agency only received \$370,218 from the County Auditor-Controller, resulting in a shortfall of \$33,755 (\$403,973 - \$370,218). Therefore, the Agency is permitted to request \$33,755 for the ROPS 14-15A period to fully satisfy this obligation and the excess \$130,842 (\$164,597 - \$33,755) is not eligible for RPTTF funding.

- Item No. 13 – Low Income Housing Relocation Study in the amount of \$30,000. Pursuant to HSC section 34176 (g) (1) (B) the entity assuming the housing functions shall provide notice to the Agency of any designations of use or commitments of funds that it wishes to make at least 20 days before the deadline for submission of the Recognized Obligation Payment Schedule to the oversight board. The Agency was not able to provide documentation of such notice from the Housing Entity; therefore, this item is not eligible for funding from Holtville Redevelopment Agency 2007 Tax Allocation Bond proceeds at this time.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 14-15A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2013 period. The amount of RPTTF approved in the table below includes the prior period adjustment self-reported by the Agency. HSC section 34186 (a) also specifies prior period adjustments self-reported by successor agencies are subject to audit by the CAC and the State Controller. Any proposed CAC adjustments were not received in time for inclusion in this letter. Therefore, the amount of RPTTF approved in the table below only includes the prior period self-reported by the Agency.

Except for the items denied in whole or in part as enforceable obligations, Finance is not objecting to the remaining items listed on your ROPS 14-15A. If you disagree with the determination with respect to any items on your ROPS 14-15A, 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/

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is \$457,373 as summarized below:

Approved RPTTF Distribution	
For the period of July through December 2014	
Total RPTTF requested for non-administrative obligations	463,215
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations	\$ 588,215
Total RPTTF requested for non-administrative obligations	463,215
<u>Denied Item</u>	
Item No. 1	(130,842)
Total RPTTF authorized for non-administrative obligations	\$ 332,373
Total RPTTF requested for administrative obligations	125,000
Total RPTTF authorized for administrative obligations	\$ 125,000
Total RPTTF authorized for obligations	\$ 457,373
ROPS 13-14A prior period adjustment	-
Total RPTTF approved for distribution	\$ 457,373

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. During the ROPS 14-15A 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 14-15A 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 14-15B.

Please refer to the ROPS 14-15A schedule that was used to calculate the approved RPTTF amount:

<http://www.dof.ca.gov/redevelopment/ROPS>

Absent a Meet and Confer, this is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2014. This determination only applies 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 section 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 Todd Vermillion, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Assistant Program Budget Manager

cc: Mr. Alex Meyerhoff, City Manager, City of Holtville
Ms. Ann McDonald, Property Tax Manager, Imperial County
California State Controller's Office