



December 18, 2012

Ms. Cindy Prothro, Finance Director
City of Barstow
220 East Mountain View Street, Suite A
Barstow, CA 92311

Dear Ms. Prothro:

Subject: Recognized Obligation Payment Schedule

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated October 1, 2012. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Barstow Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on August 17, 2012 for the period of January 1 through June 30, 2013. Finance issued its determination related to those enforceable obligations on October 1, 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 October 26, 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.

- Items No. 9 – City Loan to Construct Pool Reserve in the amount of \$2.8 million. Finance denied the item as an enforceable obligation 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 contends the item is an enforceable obligation because the loan was entered into on October 6, 1975 or 22 months after the RDA was formed on December 10, 1973. Per HSC section 34171 (d) (2), loan agreements entered into between the RDA and the city, county, or city and county that created it, within two years of the date of creation of the RDA, may be deemed to be enforceable obligations. The loan agreement was entered into within the first two years of the date of creation and the project was identified as part of the loan agreement. Therefore, this item is an enforceable obligation.
- Item No. 5 – Contract for Audit Services in the amount of \$3,420 was reclassified as an administrative cost. The Agency contends the item is an enforceable obligation because services performed were under an existing agreement and approved prior to the dissolution of the RDA. Based on the contract provided, the audit services are not related to performing the Due Diligence Review. Finance maintains its position that the item is an administrative cost. The service described in the contract is general in nature and is therefore considered as an administrative cost.

In addition, per Finance's ROPS letter dated October 1, 2012, the following items continue to be denied:

- Item No. 7 – Contract for consulting services with HDL Coren and Cone in the amount of \$4,000. The former RDA is not a party to the contract. Therefore, it is not an enforceable obligation and not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.
- Item Nos. 11 and 12 – New Hope Village and Desert Sanctuary contracts, totaling \$120,000. HSC section 34176 (a) (2) states if a city, county, or city and county elect to retain the authority to perform housing functions previously performed by a RDA, all rights, powers, duties, obligations, and housing assets shall be transferred to the city, county, or city and county. Since the City of Barstow assumed the housing functions, these items are not enforceable obligations and not eligible for RPTTF funding.
- Item No. 13 – Deferred Housing Set-Aside payment in the amount of \$1.4 million. HSC section 34176 (e) (6) (B) specifies loan or deferral repayments to the low mod income housing fund shall not be made prior to the 2013-14 fiscal year. Since this item cannot be paid at this time, this item is not an enforceable obligation and not eligible for RPTTF funding on this ROPS.

The Agency's maximum approved RPTTF distribution for the reporting period is: \$949,540 as summarized below:

Approved RPTTF Distribution Amount	
For the period of January through June 2013	
Total RPTTF funding requested for obligations	\$ 968,540
Less: Six-month total for items denied or reclassified as administrative cost	
Item No. 5*	3,420
Item No. 7	4,000
Item No. 11	20,000
Item No. 12	20,000
Item No. 13	100,000
Total approved RPTTF for enforceable obligations	<u>\$ 821,120</u>
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	<u>128,420</u>
Total RPTTF approved:	\$ 949,540

* Reclassified as administrative cost.

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: Ms. Mary Stapp, Assistant Finance Director, City of Barstow
Ms. Vanessa Doyle, Auditor Controller Manager, San Bernardino County
California State Controller's Office