



December 18, 2012

Ms. Bonnie Luttrell, Director of Finance  
City of Needles  
817 Third Street  
Needles, CA 92363

Dear Ms. Luttrell:

Subject: Recognized Obligation Payment Schedule

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated October 12, 2012. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Needles Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on August 28, 2012 for the period of January 1 through June 30, 2013. Finance issued its determination related to those enforceable obligations on October 12, 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 November 30, 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 specific item being disputed.

Item Nos. 2 and 3 – City loans totaling \$1.9 million. Finance no longer objects to Item 2, but continues to deny Item 3. Finance denied the items as 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. Upon receiving a Finding of Completion from Finance, HSC section 34191.4 (b) may cause these items to be enforceable in future ROPS periods. The Agency contends the items are enforceable obligations because the RDA was established in 1984 and the loans were entered into in 1984 and 1985. For Item 2, the loan was made in 1985, within the first two years of creation, in order for the RDA to purchase property from the City; therefore, Item 2 is an enforceable obligation per HSC section 34171 (d) (2). For Item 3, the loan agreement was entered into in 1984, within the first two years of the date of creation. The initial loan and interest has already been paid off through the payments made over the years. However, additional advances or loans were made in 1989 and 1992, which is after the first two years of creation. Finance has not issued a Finding of Completion to the Agency; therefore, the provisions of HSC section 34171 apply. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city, county, or city and county that created the RDA and the former RDA are not enforceable obligations. Therefore, Item 3 is currently not an enforceable obligation.

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is: \$276,813 as summarized in the following table:

<b>Approved RPTTF Distribution Amount</b>	
<b>For the period of January through June 2013</b>	
Total RPTTF funding requested for obligations	\$ 241,813
Less: Six-month total for items denied Item No. 3	100,000
Total approved RPTTF for enforceable obligations	\$ 141,813
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	135,000
<b>Total RPTTF approved:</b>	<b>\$ 276,813</b>

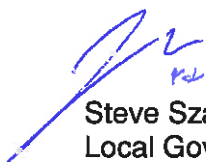
Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS III form the estimated obligations and actual payments associated with the January through June 2012 period. The amount of RPTTF approved in the above table will be adjusted by the county auditor-controller to account 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.

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. Sylvia Miledi, Accountant, City of Needles  
Ms. Vanessa Doyle, Auditor Controller Manager, San Bernardino County California  
State Controller's Office