



April 27, 2012

Richard N. Warne, City Manager
City of Twentynine Palms
6136 Adobe Road
Twentynine Palms, California 92277

Dear Mr. Warne:

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the City of Twentynine Palms Successor Agency submitted a Recognized Obligation Payment Schedule (ROPS) to the California Department of Finance (Finance) on April 13, 2012 for the periods January through June 2012 and June through December 2012. Finance staff recently contacted you for further clarification of items listed in the ROPS.

HSC section 34171 (d) lists enforceable obligations (EOs) characteristics. Based on a sample of line items reviewed and application of the law, we do not believe the following items qualify as EOs:

January through June 2012 ROPS:

- Administrative costs claimed exceed allowance by \$473,500 (see Attachment A for calculation). HSC section 34171 (b) limits the fiscal year 2011-12 administrative cost allowance to five percent of the property tax allocated to the successor agency or \$250,000, whichever is greater.
- Page 1, items 11 and 12 – Project Phoenix line items totaling \$11.6 million. No contracts have been executed for these projects. HSC section 34163 (b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011.

July through December 2012 ROPS:

- Administrative costs claimed exceed allowance by \$468,500 (see Attachment B for calculation). HSC section 34171 (b) limits the 2012-13 administrative cost allowance to three percent of the property tax allocated to the successor agency or \$250,000, whichever is greater.
- Page 1, items 11 and 12 – Project Phoenix line items totaling \$11.6 million. No contracts have been executed for these projects. HSC section 34163 (b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011.

As authorized by HSC section 34179 (h), Finance is returning your ROPS for reconsideration. This action will cause the ROPS to be ineffective until Finance approval and may cause payment delays for valid obligations.

If you believe we have reached this conclusion in error, please provide further evidence that the items questioned above meet the definition of an EO.

Please direct any inquiries to Evelyn Suess, Supervisor or Douglas Evans, Lead Analyst at (916) 322-2985.

Sincerely,



MARK HILL
Program Budget Manager

Attachments

cc: Ms. Vanessa Doyle, Property Manager, San Bernardino County
Ms. Linda Santillano, Supervising Accountant, San Bernardino County
Ms. Franciliza Zyss, Accountant III, San Bernardino County

Attachment A

**Administrative Cost Calculation
For the Period January – June 2012**

Line Item	Project Name/Debt Obligation	Payment Source	Amount
1	2011 Tax Allocation Bonds Series A	RPTTF	\$321,381
2	2011 Tax Allocation Bonds Series B	RPTTF	124,892
9	Contract for Engineering Service	RPTTF	130,000
10	Contract for Consulting Service	RPTTF	41,665
	Total RPTTF Claimed:		\$617,938
	Admin Allowance (Greater of 5% or \$250,000):		\$250,000

Line Items Considered Administrative Costs

Line Item	Description	Payment Source	Amount
3	Contract for Consulting Services	RPTTF	\$75,000
4	Successor Admin	RPTTF	124,998
5	Contract for Legal Services	RPTTF	375,000
7	Liability & Insurance Claims	RPTTF	2,502
8	Op/Maint & Oversight Board Costs	RPTTF	18,000
13	Project Phoenix Admin	RPTTF	75,000
14	Project Phoenix Admin	RPTTF	48,000
15	Housing Admin	RPTTF	5,000
	Total:		\$723,500
	Less Admin Allowance:		250,000
	Total Disallowed Administrative Costs:		\$473,500

Attachment B

**Administrative Cost Calculation
For the Period July – December 2012**

Line Item	Project Name/Debt Obligation	Payment Source	Amount
1	2011 Tax Allocation Bonds Series A	RPPTF	321,381
2	2011 Tax Allocation Bonds Series B	RPPTF	124,892
9	Contract for Planning Services	RPPTF	8,335
		Total RPPTF Claimed:	\$454,608
		Admin Allowance (Greater of 3% or \$250,000):	\$250,000

Line Items Considered Administrative Costs

Line Item	Description	Payment Source	Amount
3	Contract for Consulting Services	RPTTF	\$75,000
4	Successor Admin	RPTTF	124,998
5	Contract for Legal Services	RPTTF	375,000
7	Liability & Insurance Claims	RPTTF	2,502
8	Op/Maint & Oversight Board Costs	RPTTF	18,000
12	Project Phoenix Admin	RPTTF	75,000
13	Project Phoenix Admin	RPTTF	48,000
		Total:	\$718,500
		Less Admin Allowance:	250,000
		Total Disallowed Administrative Costs:	\$468,500

Insert Foot Path