



REVISED

May 29, 2013

Ms. Victoria Danganan, Senior Accountant
City of El Cajon
200 Civic Center Way
El Cajon, CA

Dear Ms. Danganan:

Subject: Recognized Obligation Payment Schedule

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated April 18, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of El Cajon Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14A) to the California Department of Finance (Finance) on February 20, 2013, for the period of July through December 2013. 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 May 7, 2013.

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 items being disputed.

- Item Nos. 15 and 16 – Purchase and Sale Agreement between the City of El Cajon and the Agency totaling \$1,254,756 is not an enforceable obligation. Finance continues to deny Item 16 and \$368,620 of Item 15. Furthermore, Finance reclassifies \$3,950 of Item 15 as an administrative cost and no longer denies the remaining \$41,521 as an enforceable obligation.

For Item 15, the Agency did not provide documentation indicating that demolition is required pursuant to an enforceable obligation that was entered into prior to June 27, 2011. Therefore, the \$368,620 associated with demolition is not an enforceable obligation. Furthermore, \$3,950 of legal services and professional/technical services should be reclassified as administrative costs. These types of costs do not fall into any of the categories that are specifically excluded from the administrative cap as defined by HSC section 34171 (b). Therefore, \$41,521 in Redevelopment Property Tax Trust Fund (RPTTF) for various property maintenance costs is approved for this item.

For Item 16, HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city that created the RDA and the former RDA are not enforceable, unless issued within two years of the RDA's creation date or for issuance of indebtedness to third-party investors or bondholders. This promissory note was entered into after the first two years of the former RDA's creation and is not associated with the

issuance of debt. Therefore, Item 16 is not an enforceable obligation and not eligible for RPTTF funding on the ROPS.

- Item No. 21 – Costs related to property management of Rea/Magnolia Avenues totaling \$430,247. Finance continues to deny \$367,400 of this item, reclassifies \$26,500 as administrative costs, and approves \$36,347 as an enforceable obligation. The Agency did not provide any documentation indicating that demolition of the buildings in the amount of \$367,400 is required pursuant to an enforceable obligation that was entered into prior to June 27, 2011. Therefore, the \$367,400 associated with demolition is not an enforceable obligation.

Furthermore, the \$26,500 associated with legal services and professional/technical services should be reclassified as administrative costs. These types of costs do not fall into any of the categories that are specifically excluded from the administrative cap as defined by HSC section 34171 (b). Although the reclassification of portions of Items 15 and 21 increased administrative costs to \$187,671, the administrative cost allowance has not been exceeded. Therefore, \$36,347 in RPTTF for various property maintenance costs for this item is approved.

The Agency's maximum approved RPTTF distribution for the reporting period is \$4,201,060 as summarized below:

Approved RPTTF Distribution Amount	
For the period of July through December 2013	
Total RPTTF funding requested for obligations	\$ 5,667,690
Minus: Six-month total for items denied	
Item 15*	(3,950)
Item 15	(368,620)
Item 16	(840,665)
Item 21*	(26,500)
Item 21	(367,400)
Total approved RPTTF for enforceable obligations	4,060,555
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost	187,671
Minus: ROPS II prior period adjustment	(47,166)
Total RPTTF approved for distribution:	\$ 4,201,060

*Reclassified as administrative cost

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2012 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 above table includes the prior period adjustment that was self-reported by the Agency and the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment. Please refer to the worksheet used by the CAC to determine the audited prior period adjustment for the Agency:

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

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

[http://www.dof.ca.gov/redevelopment/ROPS/ROPS 13-14A Forms by Successor Agency/](http://www.dof.ca.gov/redevelopment/ROPS/ROPS_13-14A_Forms_by_Successor_Agency/)

This is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 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 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 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 Evelyn Suess, Dispute Resolution Supervisor, or Mary Halterman, Analyst, at (916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Ms. Holly Reed-Falk, Financial Operations Manager, City of El Cajon
Mr. Juan Perez, Senior Auditor and Controller Manager, San Diego County
Ms. Tracy Sandoval, Assistant Chief Financial Officer, San Diego County
California State Controller's Office