



April 18, 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 revises and corrects the letter sent on April 11, 2013 due to erroneously denied obligations. It is our understanding the City of El Cajon Successor Agency (Agency) received a Finding of Completion, thus making certain items on the Recognized Obligation Payment Schedule (ROPS) enforceable. Pursuant to Health and Safety Code (HSC) section 34177 (m), the Agency submitted a ROPS 13-14A to the California Department of Finance (Finance) on February 20, 2013 for the period of July through December 2013. Finance has completed its review of your ROPS 13-14A, 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:

- Item Nos. 15 and 16 – Purchase and Sale Agreement between the City of El Cajon and the Agency totaling \$1,254,756 are not enforceable obligations at this time. 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.
- Item No. 21 – Costs related to property management of Rea/Magnolia Avenues totaling \$430,247. HSC section 34177 (e) requires the Agency to dispose of property in the most expeditious manner while maximizing value. Review of the four scenarios considered by the Agency reflects that the scenario that maximizes value would be wherein the property was sold as is, versus demolition or new commercial construction. Therefore, as demolition of the buildings does not increase the overall value to the affected taxing entities, the \$367,400 associated with demolition is not an enforceable obligation. Therefore, \$62,847 in RPTTF is approved for this item.

Except for items denied in whole or in part as enforceable obligations, Finance is not objecting to the remaining items listed on your ROPS 13-14A. This determination applies only to items where funding was requested for the six month period. If you disagree with the determination with respect to any items on your ROPS 13-14A, 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/](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 \$4,155,589 as summarized below:

<b>Approved RPTTF Distribution Amount</b>	
<b>For the period of July through December 2013</b>	
Total RPTTF funding requested for obligations	\$ 5,667,690
Minus: Six-month total for items denied	
Item 15	(414,091)
Item 16	(840,665)
Item 21	(367,400)
Total approved RPTTF for enforceable obligations	4,045,534
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost	157,221
Minus: ROPS II prior period adjustment	(47,166)
<b>Total RPTTF approved for distribution:</b>	<b>\$ 4,155,589</b>

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 resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

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/>.

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 Wendy Griffe, Supervisor or Derk Symons, Lead Analyst at (916) 445-1546.

Sincerely,

A handwritten signature in black ink, appearing to read 'Steve Szalay', with a small 'k' written below the signature.

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