



May 17, 2013

Ms. Marcela Piedra, Director of Economic Development
City of El Centro
1249 Main Street
El Centro, CA 92243

Dear Ms. Piedra:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS 13-14A) letter dated April 11, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of El Centro Successor Agency (Agency) submitted a ROPS 13-14A to Finance on February 25, 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 April 29, 2013.

- Item Nos. 3, 4 and 5 – 2011 Lease Revenue Bonds, Series A, B, C totaling \$91,573,239. Finance is no longer denying these items. It is our understanding the former redevelopment agency (RDA) authorized the issuance of bonds for the purpose of satisfying in part the obligations of the Agency to the City of El Centro (City) under a Reimbursement Agreement dated February 23, 2011. Finance originally denied these items because as stated in HSC section 34171 (d) (2) (A), agreements between the RDA and the City that created the RDA are enforceable obligations if entered into at the time of issuance or prior to December 31, 2010 for indebtedness obligations solely for the purpose of securing or repaying those indebtedness obligations. The RDA and the City entered into their Reimbursement Agreement on February 23, 2011 and later issued the bonds on March 1, 2011 and April 1, 2011; therefore, the terms of the reimbursement agreement do not obligate the RDA to make payments of property tax revenues to the City.

During the Meet and Confer, the Agency contends these items are debt service payments for 2011 Tax Allocation Bonds, Series A, B and C. It is our understanding the 2011 Tax Allocation Bonds, Series A, B and C were issued on March 1, 2011, April, 2011 and May 1, 2011. Upon review of the documentation provided by the Agency, the reimbursement agreement was entered into at the time of issuance of the 2011 bonds and solely for the purpose of securing or repaying the indebtedness obligation. Therefore, these items are enforceable obligations. Although these items are enforceable, it is our understanding contracts for these line items have not yet been awarded. HSC section 34163 (b) prohibits a RDA from entering into a contract with any entity after June 27, 2011. To the extent proceeds from bonds issued after December 31, 2010 are not encumbered by an enforceable obligation, 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. It is also our understanding; the Agency requested the full amount due during fiscal year 2013-2014 in error. Finance is denying the interest payments due May 1, 2014 for Item No. 3 in the amount of \$213,009, Item No. 4 in the amount of \$925,000, and Item No. 5 in the amount of \$278,707 to reflect the correct six-month amount due per debt service schedule.

In addition, per Finance's ROPS letter dated April 11, 2013, the following items continue to be denied and were not contested by the Agency:

- Item Nos. 1 and 2 – 2007 Tax Allocation Bonds, Series A and B in the amount of \$500,469 and \$145,802 respectively. The Agency had listed the full amount due during fiscal year 2013-2014 in error and has since requested correction to only reflect the amount due during ROPS 13-14 A period that are \$1,025,769 and \$228,041. Finance is denying \$500,469 for Item No. 1 and \$145,802 for Item No. 2 to reflect the correct amount due per debt service schedule.

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. 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 July through December 2013. Finance's determination is effective for this time period only and should not be conclusively relied on 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 Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is \$3,588,129, as summarized below:

Approved RPTTF Distribution Amount	
For the period of July through December 2013	
Total RPTTF funding requested for obligations	\$ 5,526,117
Minus: Six-month total for items denied or reclassified as administrative cost	
Item 1*	500,469
Item 2*	145,802
Item 3*	213,009
Item 4*	925,000
Item 5*	278,707
Total approved RPTTF for enforceable obligations	\$ 3,463,130
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost	125,000
Minus: ROPS II prior period adjustment	1
Total RPTTF approved for distribution:	\$ 3,588,129

* Partial denial

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. The amount of RPTTF approved in the above table includes the prior period adjustment that was self-reported by the Agency which was revised from Finance approved amount \$8,935,494 to the actual distribution amount of \$3,474,950. 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. Any proposed CAC adjustments were not received in time for inclusion in this letter. Therefore, the amount of RPTTF approved in the above table includes only the prior period adjustment that was self-reported by the Agency.

The Agency disputed the CAC adjustment of \$1,916,636. Because Finance is not responsible for the calculation of this adjustment, the CAC provided clarification to Finance on April 15, 2013. According to the CAC, the actual distribution for ROPS II should have been \$1,558,312, instead of \$3,474,950. Therefore, the ROPS II prior period adjustment has been revised to \$1.

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 Kylie Le, Supervisor or Brian Dunham, Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Mr. Ruben A. Duran, City Manager, City of El Centro
Ms. Ann McDonald, Special Accounting Manager, County of Imperial
California State Controller's Office