



May 17, 2013

Mr. Jesus Gomez, Assistant City Manager
City of El Monte
11333 Valley Boulevard
El Monte, CA 91731

Dear Mr. Gomez:

Subject: Recognized Obligation Payment Schedule

This letter supersedes California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS 13-14A) letter dated April 14, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of El Monte Successor Agency (Agency) submitted a ROPS 13-14A to Finance on March 1, 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.

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 No. 12, 13, 14 and 15 – 2010 Lease Revenue Bond totaling \$27.2 million. The Agency requested \$473,504 for the six-month period to be funded with Redevelopment Property Tax Trust Fund (RPTTF). Finance originally denied the Federal subsidy portion of \$204,220 used to make bond payments because the Agency did not provide documentation to support this claim. Therefore, only the Agency's portion in the amount of \$269,284 was allowed for RPTTF funding.

Based on the additional information provided during the Meet and Confer session, the Agency provided documentation to support Federal subsidy reductions, and therefore the Federal subsidy portion in the amount of \$204,220 is considered an enforceable obligation and eligible for RPTTF funding. Finance is no longer objecting to these items.

Furthermore, during the Meet and Confer session, the Agency stated that they inadvertently omitted the amounts for 2010 Lease Revenue Bonds Series A and B bond payments on the January through June 2012 ROPS (ROPS I). As a result, they did not receive funding for these bond payments. Therefore, Finance is adjusting the ROPS to increase the amount requested for Item Nos. 13 and 14 by \$255,745 and \$70,714 respectively to correct the error from ROPS I.

- Item No. 58 and 59 – Refunding \$578,000 in Developer deposits funded with RPTTF. Finance originally denied these items because the Agency already retained these funds as part of the Other Funds and Account Due Diligence Review. Although these items

are considered enforceable obligations, these items should be funded with Other funds and not RPTTF.

The Agency contends that the developer cash deposits shown as legally restricted during Other funds Due Diligence Review (DDR) are not currently available to satisfy the repayment to Festival Capri and Charles Company because the Agency used the money to pay for bond service payments due to the cash shortage. Finance maintains its original determination because the Agency was allowed to retain funding through the DDR. As such, these items are approved to be funded with Other funds.

- Item No. 62 – Oversight board special counsel in the amount of \$200,000. Finance originally reclassified the item as a general administrative cost. The Agency contends that costs associated with the Oversight Board, including costs associated with special counsel, should not be classified as administrative expenses. Finance agrees that these costs are enforceable obligations; however, they are to be funded from the administrative allowance.
- Prior Period Adjustment – Finance original determination included prior period adjustment resulting from County Auditor Controllers Audit of \$347,610. The Agency disagrees with the County's determination and believes that the largest portion of the withheld amount of \$343,610 associated with the July 12th Demand Payment on the ROPS 13-14A prior period payment worksheet was already paid pursuant to HSC section 34183.5 (b)(2)(a). The Agency further contends that they did not receive funding requested for 2010 Lease Revenue Bond Series A and B payments due to errors made on the ROPS I form. Finance continues to use the CAC amount of \$347,610 for prior period adjustment. However, Finance has increased the amount requested for Item Nos. 13 and 14 by \$255,745 and \$70,714 respectively to correct the ROPS I error.

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 \$3,078,413 as summarized below:

| Approved RPTTF Distribution Amount | |
|--|---------------------|
| For the period of July through December 2013 | |
| Total RPTTF funding requested for obligations | \$ 3,552,564 |
| Plus: ROPS I Corrections | |
| Item 13 | \$ 255,745 |
| Item 14 | \$ 70,714 |
| Minus: Funding Source changed to Other | |
| Item 58 | \$ (468,000) |
| Item 59 | \$ (110,000) |
| Minus: Six-month total for items reclassified as administrative cost | |
| Item 62 | (20,000) |
| Total approved RPTTF for enforceable obligations | <u>\$ 3,281,023</u> |
| Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost | 145,000 |
| Minus: ROPS II prior period adjustment | <u>(347,610)</u> |
| Total RPTTF approved for distribution: | \$ 3,078,413 |

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/](http://www.dof.ca.gov/redevelopment/ROPS/ROPS%2013-14A%20Forms%20by%20Successor%20Agency/).

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.

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Please direct inquiries to Chikako Takagi-Galamba, Manager or Anna Kyumba, Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Mr. Craig Koehler, Interim Finance Director, City of El Monte
Ms. Kristina Burns, Manager, Los Angeles County Department of Auditor-Controller
California State Controller's Office