



May 17, 2013

Mr. Joe Nocella, Finance Director
City of South El Monte
1415 N. Santa Anita Avenue
South El Monte, CA 91733

Dear Mr. Nocella:

Subject: Recognized Obligation Payment Schedule

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated April 6, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of South El Monte 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 6, 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 No. 10 – Interagency loan with the City of South El Monte totaling \$1.1 million. Finance no longer denies \$993,567 of this item. Per City Resolution No. 88-2873 dated June 9, 1988, the City was allowed to advance funds to the South El Monte Improvement District (RDA). Further, City Resolution No. 88-2873 states the former RDA agrees to reimburse the City for advances with an interest rate of seven percent. During the Other Funds and Accounts (OFA) Due Diligence Review (DDR) Meet and Confer process, the Agency provided additional documents showing the loan totaling \$457,729 was made within the first two years of creation. However, the outstanding balance on the loan should be \$993,567. In the OFA DDR, Finance approved a \$251,736 transfer in 2011 from the former RDA to the City for repayment on the loan, but in the loan schedule provided, the Agency had the payment listed as \$136,973. Therefore, this item is an enforceable obligation pursuant to HSC section 34171 (d) (2) and is eligible for \$993,567 in Redevelopment Property Tax Trust Fund (RPTTF) funding on the ROPS.
- Item No. 12 – Consulting Services contract with an outstanding amount of \$135,000. Finance no longer denies \$27,500 of the item and reclassifies \$3,800 as administrative costs. The item was initially denied as the Agency did not provide documentation to support this item. During the Meet and Confer process, the Agency provided three agreements totaling \$31,300. The agreement to prepare the Long Range Property

Management Plan is an enforceable obligation as it is required pursuant to HSC section 34191.5. The remaining agreements are considered administrative costs as they are not required nor do not fall into any of the categories that are specifically excluded from the administrative cap as defined by HSC section 34171 (b). Therefore, \$27,500 is an enforceable obligation and eligible for RPTTF funding on this ROPS and \$3,800 is considered an administrative cost. Although the reclassification of \$3,800 increased administrative costs to \$144,492, the administrative cost allowance has not been exceeded.

- Prior Period Adjustment – The Agency contends that the \$415,214 prior period adjustment reported by the County Auditor Controller (CAC) should be reversed since insufficient funds were received from the RPTTF in the July through December 2012 (ROPS II) period. The CAC’s recommended adjustment of \$415,214 consists of \$151,320 for administrative costs, \$165,000 for payment of a disallowed item, and \$98,894 for unexpended RPTTF funds. Since the Agency did not have to pay all of the estimated enforceable obligations authorized by Finance, sufficient RPTTF funding was available to pay administrative costs. The CAC agreed that \$151,320 of the prior period adjustment could be reversed. Therefore, the CAC’s prior period adjustment will be \$263,894.

The Agency’s maximum approved RPTTF distribution for the reporting period is \$2,754,027 as summarized below:

| Approved RPTTF Distribution Amount | |
|--|---------------------|
| For the period of July through December 2013 | |
| Total RPTTF funding requested for obligations | \$ 3,028,192 |
| Minus: Six-month total for items denied or reclassified as administrative cost | |
| Item 10 | 114,763 |
| Item 12* | 3,800 |
| Item 12 | 36,200 |
| Total approved RPTTF for enforceable obligations | \$ 2,873,429 |
| Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost | 144,492 |
| Minus: ROPS II prior period adjustment | (263,894) |
| Total RPTTF approved for distribution: | \$ 2,754,027 |

*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 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/)

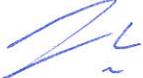
This is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2013. Finance's determination is effective for this time period only and should not be conclusively relied upon for future periods. All items listed on a future ROPS are 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: Mr. Anthony R. Ybarra, City Manager, City of South El Monte
Ms. Kristina Burns, Manager, Los Angeles County Department of Auditor-Controller
California State Controller's Office