



May 17, 2013

Ms. Denise Bates, Accounting manager  
City of West Covina  
1444 West Garvey Avenue  
West Covina, CA 91790

Dear Ms. Bates:

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 West Covina Successor Agency (Agency) submitted 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 30, 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. 1 – 1999 Tax Allocation Bonds. The Agency contends that Finance has underfunded payments owed on this item by \$140,000. The Agency submitted the original ROPS version on February 11, 2013 where Redevelopment Property Tax Trust Fund (RPTTF) requested was \$7,200 for this item. Subsequently, Agency staff noticed that the funding requested for this item has been substantially understated due to omission of \$140,000 principal payment due during the ROPS 13-14A period. Based on the additional information provided, Finance is adjusting the requested RPTTF amount to \$147,200.
- Item No. 6 and 7 – Housing loan repayments for Supplemental Education Revenue Augmentation Fund (SERAF) 2010 and 2011 totaling \$6 million is not allowed at this time. Finance continues to deny these items. HSC section 34176 (e) (6) (B) specifies loan or deferral repayments to the Low and Moderate Income Housing Fund shall not be made prior to the 2013-14 fiscal year. While ROPS 13-14A technically falls within fiscal year 2013-14, the repayment of these loaned amounts is subject to the repayment formula outlined in HSC section 34176 (e) (6) (B). Therefore, this item is not eligible for funding at this time. The Agency may be able to request funding beginning with ROPS 14-15A.
- Item No. 13 – City Cooperative Agreement in the amount of \$500,000. Finance continues to deny this item. It is our understanding the cooperative agreement is for the advance and reimbursement of administrative costs, enforceable obligations and project

related expenses. Finance continues to deny the item because it is not evident that this item is tied to a specific enforceable obligation or obligations, or for administrative expenses. Therefore, this item is not an enforceable obligation and not eligible for RPTTF funding.

- Item 49 – Anticipated and existing litigation in the amount of \$375,000 is not an enforceable obligation. Finance originally disallowed funding for the item because the Agency requested the obligation be removed from consideration because the litigation was settled in March and no future costs will be incurred. However, during the Meet and Confer session, the Agency staff stated that the litigation is nearing settlement and has not been finalized. As such, the Agency is still incurring costs associated with this item. Based on the additional clarification during Meet and Confer, Finance no longer objects to this item.

In addition, per Finance's ROPS letter dated April 14, 2013, the following items continue to be denied and were not contested by the Agency:

- Item 52 – ROPS I Redevelopment Obligation Retirement Fund (RORF) reserve in the amount of \$1.5 million is not an enforceable obligation. Only enforceable obligations as defined by HSC section 34171 (d) can be placed on the ROPS.

It is our understanding this amount was an RPTTF reduction adjusted by the Los Angeles County Auditor Controller (CAC) pursuant to HSC code section 34186 (a). HSC section 34186 (a) requires the CAC to adjust the RPTTF distributions for differences between actual payments and past estimated obligations. Therefore, the CAC adjusted the ROPS III distribution by \$1.5 million to account for excess tax increment provided to the Agency for the ROPS I period.

It is unnecessary to request the use of this funding during the ROPS 13-14A period because the excess ROPS I tax increment should have been used to cover approved ROPS III expenditures. To the extent the excess ROPS I tax increment combined with the ROPS III RPTTF distribution exceeds the actual ROPS III expenditures, the Agency should report this in the ROPS 13-14B prior period adjustment tab so that the CAC can make the appropriate adjustments required by law.

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 \$5,819,099 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	\$ 7,067,770
Plus: Adjustment to Item 1 due to omission of principal payment	\$ 140,000
Minus: Six-month total for items denied or reclassified as administrative cost	
Item 6	816,164
Item 7	134,297
Item 13	75,000
Total approved RPTTF for enforceable obligations	\$ 6,182,309
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost	216,233
Minus: ROPS II prior period adjustment	(579,443)
<b>Total RPTTF approved for distribution:</b>	<b>\$ 5,819,099</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/](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.

Ms. Denise Bates  
May 17, 2013  
Page 4

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. Nita Mckay, Finance Director, City of West Covina  
Ms. Kristina Burns, Manager, Los Angeles County Department of Auditor-Controller  
California State Controller's Office