DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

April 16, 2014

Ms. Justine Menzel, Deputy Executive Director
City of Artesia
18747 Clarkdale Avenue
Artesia, CA 90701

Dear Ms. Menzel:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Artesia Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15A) to the California Department of Finance (Finance) on March 3, 2014 for the period of July through December 2014. Finance has completed its review of your ROPS 14-15A, 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 for the reasons specified:

- Item No. 1 – 2007 Tax Allocation Bonds in the amount of $24,466,477 is partially denied. It is our understanding; the six-month amount is comprised of debt service payments in the amount of $328,195 and the 2014-15 reserve payment in the amount of $103,000. HSC section 34171 (d) (1) (A) allows successor agencies to hold a reserve for debt service payments when the next property tax allocation will be insufficient to pay all obligations due under the provisions of the bond for the next payment due in the *following half* of the calendar year. Therefore, the request to fund payments due for the *first half* of the calendar year is not allowed. As such, the portion requested for reserves in the amount of $103,000 is denied.

- Item No. 20 – Housing Administrative cost allowance pursuant to AB 471 in the amount of $75,000. Pursuant to HSC section 34177 (p), the housing entity administrative cost allowance is applicable only in cases where the city, county, or city and county that authorized the creation of the redevelopment agency (RDA) elected to not assume the housing functions and that the housing functions were transferred to a local housing authority in the territorial jurisdiction of the RDA. Pursuant to HSC section 34176 (a) (1), the City of Artesia (City) elected to be the housing entity to the RDA and retained the housing assets by submitting the housing asset transfer form to Finance on July 31, 2012. Therefore, the City is not eligible for the housing entity administrative costs allowance of $75,000.

During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should be used prior to requesting Redevelopment Property Tax Trust Fund (RPTTF). Pursuant to HSC section 34177 (l) (1) (E), RPTTF may be used as a funding source, but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation. The Agency provided financial records that displayed available Reserve Balances totaling $385,411.

Therefore, the funding source for the following items have been reclassified to Reserve Balances and in the amounts specified below:

- Item Nos. 1, 2 and 16 – Tax Allocation Bond payments and trustee reserves totaling $459,785. The Agency requests $459,785 combined of RPTTF; however Finance is reclassifying $385,411 to Reserve Balances. These items are enforceable obligations for the ROPS 14-15A period. However, these obligations do not require payment from property tax revenues and the Agency has $385,411 in available Reserve Balances. Therefore, Finance is approving RPTTF in the amount of $74,374 and the use of Reserve Balances in the amount of $385,411.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 14-15A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2013 period. HSC section 34186 (a) also specifies 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 table below includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

Except for the items denied in whole or in part as enforceable obligations or for items that have been reclassified, Finance is not objecting to the remaining items listed on your ROPS 14-15A. If you disagree with the determination with respect to any items on your ROPS 14-15A, 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/

The Agency's maximum approved RPTTF distribution for the reporting period is $263,080 as summarized below:

Approved RPTTF Distribution For the period of July through December 2014		
Total RPTTF requested for non-administrative obligations		637,785
Total RPTTF requested for administrative obligations		188,706
Total RPTTF requested for obligations	**$**	**826,491**
Total RPTTF requested for non-administrative obligations		**637,785**
Denied Items		
Item No. 1		(103,000)
Item No. 20		(75,000)
		(178,000)
Total RPTTF for non-administrative obligations		**459,785**
Cash Balances - Items reclassified to other funding sources		
Item No. 1		(328,195)
Item No. 2		(54,216)
Item No. 16		(3,000)
		(385,411)
Total RPTTF authorized for non-administrative obligations	**$**	**74,374**
Total RPTTF authorized for administrative obligations	**$**	**188,706**
Total RPTTF authorized for obligations	**$**	**263,080**
ROPS 13-14A prior period adjustment		0
Total RPTTF approved for distribution	**$**	**263,080**

Please refer to the ROPS 14-15A schedule that was used to calculate the approved RPTTF amount:

http://www.dof.ca.gov/redevelopment/ROPS

Absent a Meet and Confer, this is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2014. This determination only applies to items where funding was requested for the six-month period. 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 section 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 HSC section 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 Oltmann, Supervisor or Hugo Lopez, Lead Analyst at (916) 445-1546.

Sincerely,

JUSTYN HOWARD
Assistant Program Budget Manager

cc: Mr. William Rawlings, Executive Director, City of Artesia
Ms. Kristina Burns, Manager, Department of Auditor-Controller, Los Angeles County
California State Controller's Office