

April 9, 2014

Mr. Federico Ramirez, Interim City Manager
San Fernando City
117 Macneil Street
San Fernando, CA 91340

Dear Mr. Ramirez:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the San Fernando City Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15A) to the California Department of Finance (Finance) on February 27, 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 does not qualify as an enforceable obligation for the reason specified:

- Item No. 30 – City loan repayment in the amount of \$82,058. It is our understanding, on February 3, 2014, the Agency and the San Fernando City (City) entered into a loan agreement in anticipation of a \$82,058 budget shortfall for the July through December 2014 ROPS 14-15A period. While HSC 34173 (h) allows the City to loan funds to the Agency for the purpose of paying an enforceable obligation, it is our understanding; the shortfall has not occurred, and the oversight board (OB) action approving the loan has not been submitted to Finance. Therefore, this is not an enforceable obligation and ineligible for RPTTF funding. In the event, the shortfall does occur and the OB action is approved by Finance, the Agency may request funding for this item on future ROPS.

The administrative costs claimed are within the fiscal year administrative cap pursuant to HSC section 34171 (d). However, Finance notes the oversight board has approved an amount that appears excessive, given the number and nature of the other obligations listed in the ROPS. HSC section 34179 (i) requires the oversight board to exercise a fiduciary duty to the taxing entities. Therefore, Finance encourages the oversight board to apply adequate oversight when evaluating the administrative resources required to successfully wind-down the Agency.

In addition, Finance noted the following:

- Item No. 1 – 1998 Tax Allocation Bond Series in the amount of \$677,325. It is our understanding; per the Other Funds and Accounts Due Diligence Review process, the Agency has unspent bond reserves in the amount of \$1,852,108. It is also our

understanding; this is the final bond debt service payment and Reserve funds are no longer required. Therefore, Finance is reclassifying the funding source to Reserve Balances.

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 (I) (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 an available Other Funds balance totaling \$304,036.

Therefore, the funding sources for the following items have been reclassified to Other Funds in the amounts specified below:

- Item No. 14 – Project #1/89 Annex Loan Agreement in the amount of \$104,393. The Agency requests \$104,393 of RPTTF; however Finance is reclassifying \$91,427 to Other Funds. This item is an enforceable obligation for the ROPS 14-15A period. However, the obligation does not require payment from property tax revenues and the Agency has \$91,427 in available Other Funds balances. Therefore, Finance is approving RPTTF in the amount of \$12,966, and the use of Other Funds in the amount of \$91,427.
- Item No. 15 – DDA with Haagen and Tiangus in the amount of \$212,609. The Agency requests \$212,609 of RPTTF; however Finance is reclassifying \$212,609 to Other Funds. This item is an enforceable obligation for the ROPS 14-15A period. However, the obligation does not require payment from property tax revenues and the Agency has \$304,036 in available Other Funds balances. Therefore, Finance is approving RPTTF in the amount of \$0, and the use of Other Funds in the amount of \$212,609.

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 item denied in whole or in part as an enforceable obligation 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 \$1,014,982 as summarized below:

Approved RPTTF Distribution For the period of July through December 2014	
Total RPTTF requested for non-administrative obligations	1,953,401
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations	\$ 2,078,401
Total RPTTF requested for non-administrative obligations	1,953,401
<u>Denied Item</u>	
Item No. 30	(82,058)
	(82,058)
<u>Reclassified Item</u>	
Item No. 1	(677,325)
	(677,325)
Total RPTTF for non-administrative obligations	1,194,018
<u>Cash Balances - Items reclassified to other funding sources</u>	
Item No. 14	(91,427)
Item No. 15	(212,609)
	(304,036)
Total RPTTF authorized for non-administrative obligations	\$ 889,982
Total RPTTF authorized for administrative obligations	\$ 125,000
Total RPTTF authorized for obligations	\$ 1,014,982
ROPS 13-14A prior period adjustment	0
Total RPTTF approved for distribution	\$ 1,014,982

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.

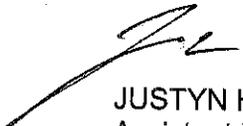
The amount available from the RPTTF is the same as the amount of property tax increment that was available prior to enactment of ABx1 26 and AB 1484. This amount is not and never was an unlimited funding source. Therefore, as a practical matter, the ability to fund the items on the ROPS with property 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.

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Please direct inquiries to Kylie Oltmann, Supervisor or Veronica Green, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Assistant Program Budget Manager

cc: Ms. Sonia Garcia, Junior Accountant, San Fernando City
Ms. Kristina Burns, Manager, Department of Auditor-Controller, Los Angeles County
California State Controller's Office