DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR
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April 11, 2013

Ms. Marcela Piedra, Director of Economic Development
City of El Centro
1249 Main Street
El Centro, CA 92243

Dear Ms. Piedra:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of El Centro Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14A) to the California Department of Finance (Finance) on February 25, 2013 for the period of July through December 2013. Finance has completed its review of your ROPS 13-14A, 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:

- Item Nos. 1 and 2 – 2007 Tax Allocation Bonds, Series A and B in the amount of $500,469 and $145,802 respectively. The Agency had listed the full amount due during fiscal year 2013-2014 in error and has since requested correction to only reflect the amount due during ROPS 13-14 A period that are $1,025,769 and $228,041. Finance is denying $500,469 for Item No. 1 and $145,802 for Item No. 2 to reflect the correct amount due per debt service schedule.

- Item No. 3, 4 and 5 – 2011 Lease Revenue Bonds, Series A, B, and C for a total amount of $91,573,239. The former redevelopment agency (RDA) authorized the issuance of bonds for the purpose of satisfying in part the obligations of the Agency to the City of El Centro (City) under a Reimbursement Agreement dated February 23, 2011. As stated in HSC section 34171 (d) (2) (A), agreements between the RDA and the City that created the RDA are enforceable obligations if entered into at the time of issuance or prior to December 31, 2010 for indebtedness obligations solely for the purpose of securing or repaying those indebtedness obligations. The RDA and the City entered into their Reimbursement Agreement on February 23, 2011 and later issued the bonds on March 1, 2011 and April 1, 2011; therefore, the terms of the reimbursement agreement do not obligate the RDA to make payments of property tax revenues to the City. The items are not enforceable obligations and are ineligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.

Except for items denied in whole or in part as enforceable obligation, Finance is not objecting to the remaining item listed on your ROPS 13-14A. This determination applies only to items where funding was requested for the six month period. If you disagree with the determination with respect to any items on your ROPS 13-14A, 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 Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is zero as summarized below:

Approved RPTTF Distribution Amount		
For the period of July through December 2013		
Total RPTTF funding requested for obligations	$	5,526,117
Minus: Six-month total for items denied or reclassified as administrative cost		
Item 1*	$	500,469
Item 2*	$	145,802
Item 3	$	482,173
Item 4	$	1,850,000
Item 5	$	1,293,863
Total approved RPTTF for enforceable obligations	$	1,253,810
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost		125,000
Minus: ROPS II prior period adjustment		1,916,639
Total RPTTF approved for distribution:	**$**	**-**

* Partial denial

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. The amount of RPTTF approved in the above table includes the prior period adjustment that was self-reported by the Agency which was revised from Finance approved amount $8,935,494 to the actual distribution amount of $3,474,950. 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. Any proposed CAC adjustments were not received in time for inclusion in this letter. Therefore, the amount of RPTTF approved in the above table includes only the prior period adjustment that was self-reported by the 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 Beliz Chappuie, Supervisor or Todd Vermillion, Lead Analyst at (916) 445-1546.

Sincerely,

STEVE SZALAY
Local Government Consultant

cc: Mr. Ruben A. Duran, City Manager, City of El Centro
Ms. Ann McDonald, Special Accounting Manager, County of Imperial
California State Controller's Office