



November 15, 2013

Mr. Oscar G Rodriguez, City Manager
City of Calexico
608 Heber Avenue
Calexico, CA 92231

Dear Mr. Rodriguez:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Calexico Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14B) to the California Department of Finance (Finance) on October 01, 2013 for the period of January through June 2014. Finance has completed its review of your ROPS 13-14B, 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. 2 – 2003A Tax Allocation Bond payment in the amount of \$22,700. The Agency requested \$296,250 of Redevelopment Property Tax Trust Funds (RPTTF) funding to pay February 1, 2014 debt service interest payment in the amount of \$296,250. Although this item is considered an enforceable obligation, the Agency is requesting RPTTF for the full amount of the debt service when \$22,700 of it is funded with reimbursement payments from the school district. Therefore, \$273,550 of this period's debt service is an enforceable obligation payable with RPTTF and the remaining balance of \$22,700 will be funded with other funds by the school district for their portion of the debt service. The requested RPTTF funding is adjusted by \$22,700.
- Item No. 3 – 2003C Tax Allocation Bond payment in the amount of \$31,333. The Agency requested \$153,508 of RPTTF funding to pay February 1, 2014 debt service interest payment in the amount of \$153,508. Although this item is considered an enforceable obligation, the Agency is requesting RPTTF for the full amount of the debt service when a \$31,333 of it is funded with reimbursement payments from the school district. Therefore, \$122,175 of this period's debt service is an enforceable obligation payable with RPTTF and the remaining balance of \$31,333 will be funded with other funds by the school district for their portion of the debt service. The RPTTF amount requested is reduced by \$31,333.
- Item No. 7 – Securities Servicing in the amount of \$10,000. The Agency was able to support approximately \$5,000 of the \$10,000 requested. Furthermore, our review of the Agency's previous ROPS actual expenditures and billing invoices indicate the securities servicing cost do not exceeded \$5,000. HSC section 34177 (l) (3) states that the ROPS

shall be forward looking to the next six months; therefore, \$5,000 of securities servicing is an enforceable obligation on ROPS 13-14B and the remaining balance of \$5,000 is not eligible for RPTTF funding at this time.

- Item No. 14 – Auditing Services in the amount of 23,000. The Agency requested audit service costs related to the Other Funds and Accounts (OFA) and Low and Moderate Income Housing Fund (LMIHF) Due Diligence Reviews. Our review of Pun & McGeady LLP invoices for the OFA and LMIHF DDR auditing costs noted that the services were billed between November 2012 and April 2013. Since the Agency requested and was approved for RPTTF funding for these auditing costs during the ROPS III and ROPS13-14A periods, Finance denies the Agency's request to receive additional funding for this item.
- Item No. 11 – Legal Services in the amount of \$21,000. This item is considered general administrative costs and has been reclassified.
- Administrative costs claimed for RPTTF exceed the allowance by \$36,000. HSC section 34171 (b) limits the 2013-14 administrative expenses to three percent of property tax allocated to the Agency or \$250,000, whichever is greater.

Allowable administrative cost amount for fiscal year 2013-14	\$250,000
Administrative costs distributed for July through December 2013	\$140,000
Administrative costs claimed for January through June 2014	\$146,000
Overage	\$ 36,000

Pursuant to HSC Section 34186 (a), successor agencies were required to report the estimated obligations and actual payments (prior period adjustments) associated with the January through June 2013 period. The amount of RPTTF approved in the table below includes the prior period adjustment that was self-reported by the Agency. 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 table below includes only the prior period adjustment that was self-reported by the Agency.

Except for the items denied in whole or in part as enforceable obligations, Finance is not objecting to the remaining items listed on your ROPS 13-14B. If you disagree with the determination with respect to any items on your ROPS 13-14B, 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 \$1,478,386 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2014	
Total RPTTF requested for non-administrative obligations	1,616,689
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations	\$ 1,741,689
Total RPTTF requested for non-administrative obligations	1,616,689
<u>Denied Items</u>	
Item No. 2	(22,700)
Item No. 3	(31,333)
Item No. 7	(5,000)
Item No. 14	(23,000)
	<u>(82,033)</u>
<u>Reclassified Items</u>	
Item No. 11	(21,000)
Total RPTTF approved for non-administrative obligations	1,513,656
Total RPTTF requested for administrative obligations	125,000
<u>Reclassified Items</u>	
Item No. 11	21,000
Total RPTTF for administrative obligations	146,000
Total RPTTF allowable for administrative obligations (see Admin Cost Cap table below)	110,000
Total RPTTF approved for obligations	1,623,656
Self-Reported ROPS III prior period adjustment (PPA)	(145,270)
Total RPTTF approved for distribution	\$ 1,478,386
Administrative Cost Cap Calculation	
Total RPTTF for 13-14A (July through December 2013)	1,467,341
Total RPTTF for 13-14B (January through June 2014)	1,513,656
Less approved unfunded obligations from prior periods	-
Total RPTTF for fiscal year 2013-14	2,980,997
Allowable administrative cost for fiscal year 2013-14 (Greater of 3% or \$250,000)	250,000
Administrative allowance for 13-14A (July through December 2013)	140,000
Allowable RPTTF distribution for administrative cost for ROPS 13-14B	110,000

Pursuant to HSC section 34177 (l) (1) (E), agencies are required to use all available funding sources prior to RPTTF for payment of enforceable obligations. Beginning with the ROPS 13-14B period, Finance required successor agencies to identify fund balances for various types of funds in its possession. During our ROPS 13-14B review, Finance requested financial records to support the fund balances reported by the Agency; however, Finance was unable to reconcile the financial records to the amounts reported. As a result, Finance will continue to work with the Agency after the ROPS 13-14B review period to properly identify the Agency's fund balances. If it is determined the Agency possesses fund balances that are available to pay approved obligations, the Agency should request the use of these fund balances prior to requesting RPTTF in ROPS 14-15A.

Please refer to the ROPS 13-14B schedule that was used to calculate the approved RPTTF amount:

[http://www.dof.ca.gov/redevelopment/ROPS/ROPS 13-14B Forms by Successor Agency/.](http://www.dof.ca.gov/redevelopment/ROPS/ROPS%2013-14B%20Forms%20by%20Successor%20Agency/)

Absent a Meet and Confer, this is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2014. This determination applies only 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 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 Beliz Chappuie, Supervisor or Todd Vermillion, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Assistant Program Budget Manager

cc: Mr. John Quinn, Finance Director, City of Calexico
Ms. Ann McDonald, Property Tax Manager, Imperial County
California State Controller's Office