DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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October 30, 2013

Ms. Victoria Danganan, Senior Accountant
City of El Cajon
200 Civic Center Way
El Cajon, CA 92020

Dear Ms. Danganan:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of El Cajon Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14B) to the California Department of Finance (Finance) on September 18, 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. 16 – City of El Cajon Loan Repayment in the amount of $840,665 is not allowed at this time. The Agency received a Finding of Completion on April 11, 2013. As such, the Agency may place loan agreements between the former redevelopment agency and sponsoring entity on the ROPS, as an enforceable obligation, provided the oversight board makes a finding that the loan was for legitimate redevelopment purposes per HSC section 34191.4 (b) (1). While ROPS 13-14B falls within fiscal year 2013-14, the repayment of this loan is subject to the repayment formula outlined in HSC section 34191.4 (b) (2) (A).

  HSC section 34191.4 (b) (2) (A) allows this repayment to be equal to one-half of the increase between the ROPS residual pass-through distributed to the taxing entities in that fiscal year and the ROPS residual pass-through distributed to the taxing entities in the 2012-13 base year. Since the formula does not allow for estimates, the Agency must wait until the ROPS residual pass-through distributions are known for fiscal year 2013-14 before requesting funding for this obligation. Therefore, this item is not eligible for Redevelopment Property Tax Trust Funds (RPTTF) at this time.

- Item Nos. 62, 66, 70, 75, 82, and 86 – Legal Costs totaling $27,250 funded by RPTTF (Item Nos. 62, 66, 70, 82, and 86) and $2,500 funded by Other Funds (Item No. 75) are not enforceable obligations. Insufficient documentation was provided to support the amounts claimed or that the costs will be necessary. Therefore, these items are not enforceable obligations and are not eligible for RPTTF or Other Funds on this ROPS.

- Item Nos. 73 and 88 – Disposition Costs totaling $728,670 are not enforceable obligations. No documentation was provided to support the amounts claimed. In addition, a Long Range Property Management Plan has not been approved supporting the necessity of the demolition costs for these properties. Therefore, these items are not enforceable obligations and are not eligible for RPTTF funding on ROPS 13-14B.

- Claimed administrative costs exceed the allowance by $17,134. HSC section 34171 (b) limits the fiscal year 2013-2014 administrative expenses to three percent of property tax allocated to the Agency or $250,000, whichever is greater. The San Diego County Auditor-Controller's Office distributed $187,671, thus leaving a balance of $62,329 available for ROPS 13-14B. Although $79,463 is claimed for administrative cost, only $62,329 is available pursuant to the cap. Therefore, $17,134 of excess administrative cost is not allowed.

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14B form the estimated obligations and actual payments (prior period adjustments) associated with the January through June 2013 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 table below includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

Except for items denied in whole or in part as enforceable obligations, Finance is not objecting to the remaining items listed on your ROPS 13-14B. 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 $1,509,658 as summarized on the next page:

Approved RPTTF Distribution Amount For the period of January through June 2014	
Total RPTTF requested for non-administrative obligations	4,275,964
Total RPTTF requested for administrative obligations	79,463
Total RPTTF requested for obligations	**$ 4,355,427**
Total RPTTF requested for non-administrative obligations	**4,275,964**
Denied Items	
Item No. 16	840,665
Item No. 62	1,250
Item No. 66	1,000
Item No. 70	5,000
Item No. 73	361,020
Item No. 82	7,500
Item No. 86	10,000
Item No. 88	367,650
	1,594,085
Total RPTTF approved for non-administrative obligations	**2,681,879**
Total RPTTF allowable for administrative obligations (see Admin Cost Cap table below)	**62,329**
Total RPTTF approved for obligations	**2,744,208**
ROPS III prior period adjustment	(1,234,550)
Total RPTTF approved for distribution	**$ 1,509,658**

Administrative Cost Cap Calculation	
Total RPTTF for 13-14A (July through December 2013)	4,060,555
Total RPTTF for 13-14B (January through June 2014)	2,681,879
Total RPTTF for 13-14A (July through December 2013)	**6,742,434**
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)	187,671
Allowable RPTTF distribution for administrative cost for ROPS 13-14B	**62,329**

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/.

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 Wendy Griffe, Supervisor or Jenny DeAngelis, Lead Analyst at (916) 445-1546.

Sincerely,

JUSTYN HOWARD
Assistant Program Budget Manager

cc: Ms. Holly Reed-Falk, Financial Operations Manager, City of El Cajon
Mr. Juan Perez, Senior Auditor and Controller Manager, San Diego County
California State Controller's Office