DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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December 17, 2013

Mr. David Witt, City Manager
City of La Mesa
8130 Allison Ave
La Mesa, CA 91942

Dear Mr. Witt:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated November 6, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of La Mesa Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14B) to Finance on September 25, 2013, for the period of January through June 2014. Finance issued a ROPS determination letter on November 6, 2013. Subsequently, the Agency requested a Meet and Confer session on one or more of the items denied by Finance. The Meet and Confer session was held on November 19, 2013.

Based on a review of additional information and documentation provided to Finance during the Meet and Confer process, Finance has completed its review of the specific items being disputed.

> Item No. 2 – Certificates of Participation Series B (Certificates) in the total amount of $3,462,472. Finance is denying this item for any funding. Finance initially reclassified this item to be funded with "Other" funds as sufficient documentation was not provided to show the item is required to be funded with Redevelopment Property Tax Trust Fund (RPTTF). During the Meet and Confer, the Agency stated that the former Redevelopment Agency (RDA) formed a joint powers authority with the City of La Mesa (City) known as the La Mesa Public Financing Authority (Authority); its primary purpose is to assist the City with the financing of certain capital construction and improvement projects. The Agency contends that because the Agency is a member of the Authority, the Agency has a vested interest in ensuring the continued timely payments of the debt service. Based on further review of the documents provided by the Agency during the Meet and Confer process, the 2006 Certificates of Participation were issued on August 1, 2006; however, the pledged security is a pledge of lease payments to be made by the City. In fact, the Joint Exercise of Powers Agreement for the La Mesa Public Financing Authority specifically identifies in Section 4.5, that "the debts, liabilities and obligations of the Authority shall not be the debts, liabilities and obligations of the Members." The Agency also provided other documents such as the Site Lease, Assignment Agreement, Lease/Purchase Agreement, Trust Agreement, and various City reports. However, none

of the documents provided specifically require the item to be funded with RPTTF. Therefore, this item is not an enforceable obligation and not eligible for RPTTF funding.

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 the item denied in whole or in part as enforceable obligation, Finance is not objecting to the remaining items listed on your ROPS 13-14B. The Agency's maximum approved RPTTF distribution for the reporting period is $1,060,995 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2014		
Total RPTTF requested for non-administrative obligations		994,557
Total RPTTF requested for administrative obligations		122,750
Total RPTTF requested for obligations	**$**	**1,117,307**
Total RPTTF requested for non-administrative obligations		**994,557**
Reclassified Item		
Item No. 2		(56,312)
Total RPTTF approved for non-administrative obligations		**938,245**
Total RPTTF approved for administrative obligations		**122,750**
ROPS III prior period adjustment		0
Total RPTTF approved for obligations	**$**	**1,060,995**

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/.

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 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 Evelyn Suess, Dispute Resolution Supervisor, or Derk Symons, Analyst at (916) 445-1546.

Sincerely,

JUSTYN HOWARD
Assistant Program Budget Manager

cc: Ms. Sarah Waller-Bullock, Director of Finance, City of La Mesa
Mr. Jon Baker, Senior Auditor and Controller Manager, San Diego County
California State Controller's Office