DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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December 17, 2013

Ms. Anne Haraksin, Deputy City Manager
City of La Mirada
13700 La Mirada Boulevard
La Mirada, CA 90638

Dear Ms. Haraksin:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated November 4, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of La Mirada Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14B) to Finance on September 26, 2013, for the period of January through June 2014. Finance issued a ROPS determination letter on November 4, 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 15, 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.

- Prior Period Adjustment totaling $55,000. The County Auditor Controller made a prior period adjustment of $55,000 because the Agency made a payment of $55,000 for an item approved for $0 during January through June 2013 (ROPS III). The Agency claims the ROPS was submitted prior to the Agency's year-end reporting and this amount was an accrual in the financial records. However, once the financial records were closed, the Agency realized they did not have sufficient funds to make the payment and therefore did not make the payment. Because the Agency was approved to expend $0 for this item and included that they expended $55,000, the County Auditor Controller included the amount in the prior period adjustment. Our review of the financial documentation provided by the Agency during the meet and confer demonstrate that the Agency did not receive Redevelopment Property Tax Trust Fund (RPTTF) for ROPS III due to the ROPS I adjustment taken in ROPS III; therefore, all funds were expended from on hand reserves. To the extent the Agency did not pay this amount, those funds should be available from reserve funds. Therefore, we have determined the prior period adjustment is accurate and appropriate.

In addition, per Finance's letter dated November 6, 2013, we continue to deny the following items not contested by the Agency during the Meet and Confer:

- Item No. 56 – Capital Projects in the amount of $3,603,664 funded with bond proceeds is not allowed at this time. It is our understanding contracts have not yet been awarded. The Agency clarified contracts will be awarded in late fiscal year 13-14 and funding will be requested on ROPS 14-15A. Therefore, this item is not eligible for funding at this time.

During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that are required to be used prior to requesting RPTTF. Pursuant to HSC section 34177 (l) (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 available balances totaling $40,640.

Therefore, the funding source for the following items are being reclassified to reserve funding and in the amounts specified below:

- Item Nos. 12 through 15, 20 through 23, 25, 26, 28, 39, and 40 – Administrative obligations totaling $40,640. The Agency requests $40,640 of RPTTF; however Finance is reclassifying $40,640 to reserve funding. These items were determined to be enforceable obligations for the ROPS 13-14B period. However, the Agency provided clarification that $40,640 in available reserve funding can be applied to this obligation. Therefore, Finance is approving the use of reserves in the amount of $40,640.

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 item denied in whole or in part as enforceable obligation or for the items that have been reclassified, 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 $5,809,607 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2014	
Total RPTTF requested for non-administrative obligations	6,791,761
Total RPTTF requested for administrative obligations	40,640
Total RPTTF requested for obligations	**$ 6,832,401**
Total RPTTF requested for non-administrative obligations	**6,791,761**
Total RPTTF approved for non-administrative obligations	**6,791,761**
Total RPTTF requested for administrative obligations	**40,640**
Reclassified Items	
Item No. 12	(5,980)
Item No. 13	(7,925)
Item No. 14	(4,125)
Item No. 15	(15,000)
Item No. 20	(2,580)
Item No. 21	(2,600)
Item No. 22	(900)
Item No. 23	(50)
Item No. 25	(50)
Item No. 26	(250)
Item No. 28	(50)
Item No. 39	(1,100)
Item No. 40	(30)
	(40,640)
Total RPTTF for administrative obligations	**0**
Total RPTTF approved for obligations	**6,791,761**
ROPS III prior period adjustment (PPA)	(982,154)
Total RPTTF approved for distribution	**$ 5,809,607**

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/.

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 Danielle Brandon, Analyst, at (916) 445-1546.

Sincerely,

JUSTYN HOWARD
Assistant Program Budget Manager

cc: Ms. Judith Quinonez, Senior Accountant, City of La Mirada
Ms. Kristina Burns, Manager, Los Angeles County Department of Auditor-Controller
California State Controller's Office