

December 17, 2013

Mr. Michael Matsumoto, Director of Finance/Treasurer
City of Pico Rivera
6615 Passons Boulevard
Pico Rivera, CA 90660

Dear Mr. Matsumoto:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated October 23, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Pico Rivera Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14B) to Finance on September 18, 2013, for the period of January through June 2014. Finance issued a ROPS determination letter on October 23, 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 4, 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. 3 – A loan in the amount of \$161,422 is identified as a loan from the Low and Moderate Income Housing Fund (LMIHF) to the Supplemental Educational Revenue Augmentation Fund (SERAF). Finance continues to deny this item at this time. During the Meet and Confer process, the Agency contended that Finance's interpretation of HSC section 34176 is contrary to the language of the statute because it specifically authorizes repayment to commence in the 2013-14 fiscal year. While ROPS 13-14B falls within fiscal year 2013-14, the repayment of these loaned amounts are subject to the repayment formula outlined in HSC section 34176 (e)(6)(B). The calculation is limited 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, the Agency may request funding for the repayment of LMIHF loans beginning with ROPS 14-15A.
- Item No. 10 – Deferral of pass through payments. Finance did not select this item for review since no payment was requested for the current period; however, during the Meet and Confer process, the Agency requested Finance to review this item to determine if it

is an enforceable obligation and should continue to be listed on future ROPS. The Agency contends that the deferral is not an enforceable obligation pursuant to HSC section 34171 (d)(1)(C), which appears to specifically exclude pass through payments as enforceable obligations. However, HSC section 34171 (d)(1)(C) only excludes pass through payments that are made by the county auditor-controller pursuant to HSC section 34183, not prior pass through payments that were deferred. As such, prior deferred pass through payments are enforceable obligations pursuant to HSC section 34171 (d)(1)(C) since they are "payments" on pre-existing obligations imposed by state law. Therefore, to the extent any deferred pass through payments are still owed, the Agency should list them on future ROPS for repayment.

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 from the Redevelopment Property Tax Trust Fund (RPTTF) approved in the following table 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 an 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 \$1,892,775 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2014	
Total RPTTF requested for non-administrative obligations	1,804,197
Total RPTTF requested for administrative obligations	250,000
Total RPTTF requested for obligations	\$ 2,054,197
Total RPTTF requested for non-administrative obligations	1,804,197
<u>Denied Items</u>	
Item No. 40	(161,422)
Total RPTTF approved for non-administrative obligations	1,642,775
Total RPTTF allowable for administrative obligations (see Admin Cost Cap table below)	250,000
Total RPTTF approved for obligations	1,892,775
ROPS III prior period adjustment	0
Total RPTTF approved for distribution	\$ 1,892,775
Administrative Cost Cap Calculation	
Total RPTTF for 13-14A (July through December 2013)	2,487,725
Total RPTTF for 13-14B (January through June 2014)	1,642,775
Total RPTTF for fiscal year 2013-14	4,130,500
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)	-
Allowable RPTTF distribution for administrative cost for ROPS 13-14B	250,000

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_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 Mary Halterman, Analyst, at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Assistant Program Budget Manager

cc: Mr. Jim Simon, RSG (Consultant), City of Pico Rivera
Ms. Kristina Burns, Manager, Los Angeles County Department of Auditor-Controller
California State Controller's Office