



November 1, 2013

Mr. Matthew Hawkesworth, Assistant City Manager  
City of Rosemead  
8838 East Valley Boulevard  
Rosemead, CA 91770

Dear Mr. Hawkesworth:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Rosemead Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14B) to the California Department of Finance (Finance) on September 17, 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 Nos. 12 through 18, 20 and 21 – Bond funded projects totaling \$7,640,390. It is our understanding the following projects are to be funded by a City loan, which was approved on Finance's OB Action Resolution 2013-0011 determination letter dated October 29, 2013. The City loan will then be reimbursed by the Agency with available bond proceeds, identified as Item No. 30 on ROPS 13-14B. As a result, the following projects have been reclassified to Other Funds from Bond Proceeds:
  - Item No. 12 – Rosemead Community Center Park
  - Item No. 13 – Rosemead Community Center Parking Lot
  - Item No. 14 – Zapopan Park Improvements
  - Item No. 15 – Rosemead Park Improvements
  - Item No. 16 – Rosemead Community Center Parking Lot
  - Item No. 17 – New Park at Rush & Walnut Grove
  - Item No. 18 – Sew System Expansion
  - Item No. 20 – Valley Boulevard Street Improvements
  - Item No. 21 – Rosemead Park Turf Renovations

Additionally, the total amount requested for the projects listed above totals \$7,640,390 and the approved City loan is not to exceed \$7,100,000. As such, the projects may be funded only up to the amount of bond proceeds currently available.

- Item No. 29 – Master Bond Agreement in the amount of \$7,077,559. It is our understanding the projects of the Master Bond Agreement are to be funded by a loan taken out with the City of Rosemead, whereby, the City would be reimbursed using available bond proceeds. Therefore, the loan itself, or Item No. 30 would be funded with the bond proceeds and not the master bond agreement. As such, this item is not eligible for bond proceeds funding.
- Item No. 32 – Administrative cost allowance adjustment in the amount of \$13,176. It is our understanding the self-reported prior period adjustment for ROPS III reflects an adjustment of \$13,176. Line-item administrative adjustments are not necessary for an administrative expense larger than what Finance approved, as long as the total authorized administrative allowance is not exceeded. The Agency recognized this and requested funding of \$13,176 for Item No. 32 on ROPS 13-14B. Finance is denying this item on the ROPS, but instead will ensure the prior period adjustment is adjusted accordingly.

The Los Angeles County Auditor Controller (CAC) reported a prior period adjustment of \$5,200. Item No. 4 of the prior period adjustment sheet for bond indenture disclosures in the amount of \$5,200 was not authorized for funding during ROPS III. The Agency allocated \$5,200 to this item, so the CAC correctly reported a ROPS III prior period adjustment of \$5,200. To the extent this was a valid expense, the Agency should obtain expenditure authority through the ROPS process.

- Claimed administrative costs exceed the allowance by \$24,140. HSC section 34171 (b) limits fiscal year 2013-14 administrative expenses to three percent of property tax allocated to the successor agency or \$250,000, whichever is greater. As a result, the Agency is eligible for \$250,000 in administrative expenses. The CAC distributed \$24,824 for the July through December 2013 period, thus leaving a balance of \$225,176 available for the January through June 2014 period. Although \$139,521 is claimed for administrative costs, Item No. 31 to repay the City for the admin shortfall which occurred in ROPS 13-14A in the amount of \$122,971 is considered an administrative expense and should be counted toward the cap. Therefore, \$24,140 of excess administrative cost is not allowed.

During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should 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 reported an Other Funds balance as of June 30, 2013 of \$140,486.

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

- Item No. 19 – Employee overhead costs in the amount of \$102,205. The Agency requests \$102,205 in admin; however Finance is reclassifying \$102,205 to Other Funds. This item was determined to be an enforceable obligation for the ROPS 13-14B period. However, the obligation does not require payment from property tax revenues and the Agency has \$140,486 in Other Funds. Therefore, Finance is approving the use of Other Funds in the amount of \$102,205.

- Item No. 22 – Senior housing land lease in the amount of \$45,600. The Agency requests \$45,600 in RPTTF; however, Finance is reclassifying \$38,281 to Other Funds. This item was determined to be an enforceable obligation for the ROPS 13-14B period. However, the obligation does not require payment from property tax revenues and the Agency has \$140,486 in Other Funds. Therefore, Finance is approving RPTTF in the amount of \$7,319 and the use of Other Funds in the amount of \$38,281, totaling \$45,600 for Item No. 22.

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 below table includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

Except for the items denied in whole or in part as enforceable obligations or for the items that have been reclassified, 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/](http://www.dof.ca.gov/redevelopment/meet_and_confer/)

The Agency's maximum approved RPTTF distribution for the reporting period is \$1,188,115 as summarized below:

<b>Approved RPTTF Distribution Amount For the period of January through June 2014</b>	
Total RPTTF requested for non-administrative obligations	1,231,596
Total RPTTF requested for administrative obligations	139,521
<b>Total RPTTF requested for obligations</b>	<b>\$ 1,371,117</b>
<b>Total RPTTF requested for non-administrative obligations</b>	<b>1,231,596</b>
<u>Reclassified Items</u>	
Item No. 29	(122,971)
	(122,971)
<b>Total RPTTF approved for non-administrative obligations</b>	<b>1,108,625</b>
<b>Total RPTTF requested for administrative obligations</b>	<b>139,521</b>
<u>Denied Items</u>	
Item No. 32	(13,176)
	(13,176)
<u>Reclassified Items</u>	
Item No. 29	122,971
	122,971
<b>Total RPTTF for administrative obligations</b>	<b>249,316</b>
<b>Total RPTTF allowable for administrative obligations (see Admin Cost Cap table below)</b>	<b>225,176</b>
<b>Total RPTTF approved for obligations</b>	<b>1,333,801</b>
ROPS III prior period adjustment	(5,200)
<u>Items reclassified due to funds that should be used prior to requesting RPTTF</u>	
Item No. 19	(102,205)
Item No. 22	(38,281)
	(140,486)
<b>Total RPTTF approved for distribution</b>	<b>\$ 1,188,115</b>
<b>Administrative Cost Cap Calculation</b>	
Total RPTTF for 13-14A (July through December 2013)	2,995,701
Total RPTTF for 13-14B (January through June 2014)	1,108,625
<b>Total RPTTF for fiscal year 2013-14</b>	<b>4,104,326</b>
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)	24,824
<b>Allowable RPTTF distribution for administrative cost for ROPS 13-14B</b>	<b>225,176</b>

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 Kylie Le, Supervisor or Hugo Lopez, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD  
Assistant Program Budget Manager

cc: Ms. Gloria Molleda, City Clerk, City of Rosemead  
Ms. Kristina Burns, Manager, Los Angeles County Department of Auditor-Controller  
California State Controller's Office