

December 17, 2013

Mr. Don Penman, Interim City Administrator
San Fernando City
117 Macneil Street
San Fernando, CA 91340

Dear Mr. Penman:

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 San Fernando City 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 18, 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 Nos. 20 and 28 – Retirement Tax Override totaling \$538,057. Finance continues to deny these items. These items were previously denied in our January through June 2013 ROPS (ROPS III) determination letter dated October 11, 2012, later upheld in our ROPS III Meet and Confer determination letter dated December 18, 2012, and in our July through December 2013 ROPS (ROPS 13-14A) determination letter dated April 14, 2013. During the Meet and Confer, the Agency stated that these amounts are funds received by the former Redevelopment Agency (RDA) attributable to a property tax override levied from Project Area No. 4, and not tax increment. The Agency contends these amounts are misallocated to the Agency and need to be paid to the City's Retirement Obligation Fund. The Agency staff identified that when Project Area 4 was created in 1994, the redevelopment plan stated that when tax revenues were received by the Agency, the Retirement Tax Override portion of tax revenues would be paid to the retirement fund of the City of San Fernando. Item No. 20 in the amount of \$492,348 is related to past Retirement Override tax amounts and Item 28 in the amount of \$45,709 is for amounts owed for the ROPS 13-14B period. However, the Agency has not provided any documents to show that an enforceable obligation exists that require the payment of these revenues to the City. Finance continues to deny these items as enforceable obligations pursuant to HSC section 34171 (d) (2). In addition, pursuant to HSC section 34171(d)(2) states that agreements, contracts, or arrangements between the city that

created the RDA and the former RDA are not enforceable, unless issued within two years of the RDA's creation date or for issuance of indebtedness to third-party investors or bondholders. Therefore these items are not enforceable obligations and not eligible for funding from the Redevelopment Property Tax Trust Fund (RPTTF).

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. The Agency's maximum approved RPTTF distribution for the reporting period is \$905,527 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2014	
Total RPTTF requested for non-administrative obligations	2,625,987
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations	\$ 2,750,987
Total RPTTF requested for non-administrative obligations	2,625,987
<u>Denied Items</u>	
Item No. 20	(492,348)
Item No. 28	(45,709)
	<u>(538,057)</u>
Total RPTTF approved for non-administrative obligations	2,087,930
Total RPTTF for administrative obligations	125,000
Total RPTTF approved for obligations	2,212,930
ROPS III prior period adjustment	(1,307,403)
Total RPTTF approved for distribution	\$ 905,527

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/)

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. Sonia Garcia, Junior Accountant, San Fernando City
Ms. Kristina Burns, Manager, Los Angeles County Department of Auditor-Controller
California State Controller's Office