



October 23, 2013

Mr. Thomas Marston, Director of Finance
City of San Gabriel
425 South Mission Drive
San Gabriel, CA 91776

Dear Mr. Marston:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), City of San Gabriel Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14B) to the California Department of Finance (Finance) on September 11, 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 does not qualify as an enforceable obligation for the reason specified below:

- Claimed administrative costs exceed the allowance by \$26,000. HSC section 34171 (b) limits the fiscal year 2013-14 administrative expenses to three percent of property tax allocated to the Agency or \$250,000, whichever is greater. As a result, the Agency is eligible for \$250,000 in administrative expenses. The Los Angeles Auditor-Controller's Office distributed \$145,500 for the July through December 2013 period, thus leaving a balance of \$104,500 available for the January through June 2014 period. Although \$125,000 is claimed for administrative cost, Item No. 13 for legal services in the amount of \$5,500 is considered an administrative expense and should be counted toward the cap. Therefore, \$26,000 of excess administrative cost is not allowed.

In addition, the oversight board has approved an amount of administrative costs that appears excessive, given the number and nature of the other obligations listed in the ROPS. HSC section 34179 (i) requires the oversight board to exercise a fiduciary duty to the taxing entities. Therefore, Finance encourages the oversight board to apply adequate oversight when evaluating the administrative resources required to successfully wind-down the Agency.

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 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. This determination applies only to items where funding was requested for the six month period. 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/

The Agency's maximum approved RPTTF distribution for the reporting period is \$148,629 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2014	
Total RPTTF requested for non-administrative obligations	\$ 148,755
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations	\$ 273,755
Total RPTTF requested for non-administrative	\$ 148,755
<u>Reclassified Items</u>	
Item No. 13	\$ (5,500)
Total RPTTF approved for non-administrative obligations	\$ 143,255
Total RPTTF requested for administrative obligations	125,000
<u>Reclassified Items</u>	
Item No. 13	5,500
Total RPTTF for administrative obligations	130,500
Total RPTTF allowable for administrative obligations (see Admin Cost Cap table below)	104,500
Total RPTTF approved for obligations:	\$ 247,755
ROPS III prior period adjustment	(99,126)
Total RPTTF approved for distribution	\$ 148,629
Administrative Cost Cap Calculation	
Total RPTTF for 13-14A (July through December 2013)	\$ 389,400
Total RPTTF for 13-14B (January through June 2014)	143,255
Less approved unfunded obligations from prior periods	-
Total RPTTF for fiscal year 2013-14:	\$ 532,655
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)	145,500
Allowable RPTTF distribution for administrative cost for ROPS 13-14B:	\$ 104,500

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/>.

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. 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 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. Diane Hadland, Successor Agency Staff (Contract), City of San Gabriel
Ms. Kristina Burns, Manager, Los Angeles County Department of Auditor-Controller
California State Controller's Office