



December 13, 2013

Ms. Karin Schnaider, Finance Director
City of Sierra Madre
252 West Sierra Madre Boulevard
Sierra Madre, CA 91024

Dear Ms. Schnaider:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Sierra Madre Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14B) to the California Department of Finance (Finance) on November 22, 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. 8 and 9 – Redevelopment Property Tax Trust Fund (RPTTF) funding shortfall totaling \$131,275 for the ROPS 13-14A period. Finance approved and the County Auditor-Controller distributed \$304,761 for ROPS 13-14A. As such, no funding shortfall existed during ROPS 13-14A period. Therefore, these items are not enforceable obligations and not eligible for RPTTF funding.
- Per HSC section 34177 (m), the ROPS for this period was due no later than October 4, 2013. As stated above, the Agency submitted their ROPS 13-14B on November 22, 2013. Pursuant to HSC 34177 (m) (2), ROPS not submitted within ten days of the due date requires a 25 percent reduction to the administrative cost allowance for the period. As such, \$108,000 of administrative expenses pursuant to the cap has been reduced by \$27,000 to \$81,000.

Pursuant to HSC Section 34186 (a), successor agencies were required to report the estimated obligations and actual payments (prior period adjustments) associated with the January through June 2013 period. The amount of RPTTF approved in the table below includes the prior period adjustment that was self-reported by the Agency. 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. Any proposed CAC adjustments were not received in time for inclusion in this letter. Therefore, the amount of RPTTF approved in the table below includes only the prior period adjustment that was self-reported by the Agency.

Except for the item that has been partially 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. Since your ROPS was submitted over a month past the due date, time is of the essence. If you wish to request a Meet and Confer, it is imperative to do so as soon as possible since, pursuant to HSC section 34177 (m), Finance's Meet and Confer determinations are due by December 17, 2013. 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 \$63,575 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2014	
Total RPTTF requested for non-administrative obligations	206,275
Total RPTTF requested for administrative obligations	108,000
Total RPTTF requested for obligations	\$ 314,275
Total RPTTF requested for non-administrative obligations	206,275
<u>Denied Items</u>	
Item No. 8	39,030
Item No. 9	92,245
Total RPTTF approved for non-administrative obligations	75,000
Total RPTTF requested for administrative obligations	108,000
Total RPTTF for administrative obligations	108,000
Total RPTTF allowable for administrative obligations (see Admin Cost Cap table below)	81,000
Total RPTTF approved for obligations	156,000
ROPS III prior period adjustment	(92,425)
Total RPTTF approved for distribution	\$ 63,575
Administrative Cost Cap Calculation	
Total RPTTF for 13-14A (July through December 2013)	192,761
Total RPTTF for 13-14B (January through June 2014)	75,000
Total RPTTF for fiscal year 2013-14	267,761
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)	112,000
Allowable RPTTF distribution for administrative cost pursuant to cap	138,000
Requested RPTTF for administrative obligations	108,000
25% administrative cost reduction pursuant to HSC 34177 (m) (2)	(27,000)
Approved RPTTF distribution for administrative cost for ROPS 13-14B	81,000

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%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 Oltmann, Supervisor or Brian Dunham, Lead Analyst at (916) 445-1546.

Sincerely,



Justyn Howard
Assistant Program Budget Manager

cc: Ms. Elaine Aguilar, City Manager, City of Sierra Madre
Ms. Kristina Burns, Manager, Los Angeles County Department of Auditor-Controller
California State Controller's Office