



April 17, 2014

Mr. Oscar G Rodriguez, City Manager
City of Calexico
608 Heber Avenue
Calexico, CA 92231

Dear Mr. Rodriguez:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Calexico Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15A) to the California Department of Finance (Finance) on March 4, 2014 for the period of July through December 2014. Finance has completed its review of your ROPS 14-15A, 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 reasons specified:

- Item No. 11 – Legal Services (Special Counsel) in the amount of \$21,000. During the ROPS 14-15A review, the Agency notified Finance that the case is settled and this is not an ongoing expense. Therefore this line item is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.

For the period January 1, 2014 through June 30, 2014 (ROPS 13-14B), Finance approved \$605,000 of RPTTF funding for debt service reserves with Item No. 19, to be used for ROPS 14-15A debt service payments. Therefore, the Agency should be listing the use of Reserve Balances to partially fund the debt service payment due during the ROPS 14-15A period. Finance is adjusting the amount requested to reflect the use of Reserve Funds for the following items in order to meet the full required debt service amounts due pursuant to the Agency's bond debt service schedules:

- Item No. 1 – 2000 Tax Allocation Bonds in the amount of \$12,500
- Item No. 2 – 2003A Tax Allocation Bonds in the amount of \$435,000
- Item No. 3 – 2003C Tax Allocation Bonds in the amount of \$135,000
- Item No. 4 – 2006 Tax Allocation Bonds in the amount of \$22,500

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 14-15A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2013 period. The amount of RPTTF approved in the table below includes the prior period adjustment self-reported by the Agency. HSC section

34186 (a) also specifies 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 only includes the prior period adjustment self-reported by the Agency.

Except for the item denied in whole or in part as an enforceable obligation or for the items that have been reclassified, Finance is not objecting to the remaining items listed on your ROPS 14-15A. If you disagree with the determination with respect to any items on your ROPS 14-15A, 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 Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is \$1,175,811 as summarized below:

Approved RPTTF Distribution For the period of July through December 2014	
Total RPTTF requested for non-administrative obligations	1,099,831
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations	\$ 1,224,831
Total RPTTF requested for non-administrative obligations	1,099,831
<u>Denied Item</u>	
Item No. 11	(21,000)
Total RPTTF authorized for non-administrative obligations	\$ 1,078,831
Total RPTTF authorized for administrative obligations	\$ 125,000
Total RPTTF authorized for obligations	\$ 1,203,831
ROPS 13-14A prior period adjustment	(28,020)
Total RPTTF approved for distribution	\$ 1,175,811

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. During the ROPS 14-15A review, Finance requested financial records to support the cash 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 14-15A review period to properly identify the Agency's cash balances. If it is determined the Agency possesses cash balances that are available to pay approved obligations, the Agency should request the use of these cash balances prior to requesting RPTTF in ROPS 14-15B.

Please refer to the ROPS 14-15A schedule that was used to calculate the approved RPTTF amount:

<http://www.dof.ca.gov/redevelopment/ROPS>

Absent a Meet and Confer, this is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2014. This determination only applies 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 Beliz Chappuie, Supervisor or Todd Vermillion, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Assistant Program Budget Manager

cc: Mr. John Quinn, Finance Director, City of Calexico
Ms. Ann McDonald, Property Tax Manager, Imperial County
California State Controller's Office