

May 16, 2014

Mr. Jesus Gomez, Assistant City Manager
City of El Monte
11333 Valley Boulevard
El Monte, CA 91731

Dear Mr. Gomez:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 14, 2014. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of El Monte Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15A) to Finance on February 28, 2014, for the period of July through December 2014. Finance issued a ROPS determination letter on April 14, 2014. 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 May 6, 2014.

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 item being disputed, as further discussed below:

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. 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. 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.

During the Meet and Confer, the Agency disputed \$343,610 of the total \$836,333 resulting from the County Auditor-Controller's (CAC) audit of the Agency's self-reported prior period adjustment (PPA) amount. Finance continues to make the PPA adjustment as identified by the CAC. The agency contends that due to severe cash shortage during the January through June 2012 (ROPS I) period, the Agency did not have the cash to pay the July 2012 True-Up. The Agency provided documentation that identified they paid their July true-up, totaling \$343,510 using RPTTF received for the July through December 2012 (ROPS II) period. However, pursuant to HSC 34183.5 (b), the July 2012 True-Up process was to collect residual pass-through payments owed the affected taxing entities for the January through June 2012 period, and is not tied to an enforceable obligation as defined in HSC section 34171 (d). Because the July true-up is not an enforceable obligation and is not eligible for RPTTF expenditure during the

ROPS II, the prior period adjustment of \$347,610 is considered available funds as identified in the CAC PPA and no adjustment to the CAC PPA is necessary.

In addition, per Finance's letter dated April 14, 2014, we continue to deny the following items not contested by the Agency during the Meet and Confer:

- Item No. 70 – Housing Administrative costs allowance pursuant to AB 471 in the amount of \$75,000. Pursuant to HSC section 34171 (p), the housing entity administrative cost allowance is applicable only in cases where the city, county, or city and county that authorized the creation of the redevelopment agency (RDA) elected to not assume the housing functions and that the housing functions were transferred to a local housing authority in the territorial jurisdiction of the RDA. Pursuant to HSC section 34176 (a) (1), the City El Monte (City) elected to be the housing entity to the RDA and retained the housing assets by submitting the housing asset transfer form to Finance on August 2, 2013. Therefore, the City is not eligible for the housing entity administrative costs allowance of \$75,000.

Except for the item denied in whole or in part as enforceable obligation, Finance is not objecting to the remaining items listed on your ROPS 14-15A. The Agency's maximum approved RPTTF distribution for the reporting period is \$3,608,406 as summarized below:

Approved RPTTF Distribution	
For the period of July through December 2014	
Total RPTTF requested for non-administrative obligations	4,394,739
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations	\$ 4,519,739
Total RPTTF requested for non-administrative obligations	4,394,739
<u>Denied Item</u>	
Item No. 70	(75,000)
Total RPTTF authorized for non-administrative obligations	\$ 4,319,739
Total RPTTF authorized for administrative obligations	\$ 125,000
Total RPTTF authorized for obligations	\$ 4,444,739
ROPS 13-14A prior period adjustment	(836,333)
Total RPTTF approved for distribution	\$ 3,608,406

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 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 14-15A 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 14-15B.

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

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

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 Evelyn Suess, Dispute Resolution Supervisor, or Danielle Brandon, Analyst, at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Assistant Program Budget Manager

cc: Mr. Craig Koehler, Interim Finance Director, City of El Monte
Ms. Kristina Burns, Manager, Department of Auditor-Controller, Los Angeles County
California State Controller's Office