

December 17, 2014

Mr. Kurt Christiansen, Economic and Community Development Director
City of Azusa
213 East Foothill Boulevard
Azusa, CA 91702

Dear Mr. Christiansen:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated November 14, 2014. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Azusa Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15B) to Finance on October 1, 2014, for the period of January through June 2015. Finance issued a ROPS determination letter on November 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 December 3, 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 items being disputed.

- Item Nos. 35, 36 and 37 – Various line items relating to public improvement projects in the amount totaling \$9,889,244. Finance continues to deny these items at this time. Pursuant to HSC section 34191.4 (b), loan agreements between the former redevelopment agency and sponsoring entity may be placed on the ROPS if the following requirements are met: (1) The Agency has received a Finding of Completion; and (2) The Agency's oversight board (OB) approves the loan as an enforceable obligation by finding the loan was for legitimate redevelopment purposes. While the Agency received a Finding of Completion on May 13, 2013, the OB action approving the loans was only submitted to Finance for review on December 4, 2014 and Finance initiated review of the OB action. We note that because the items are still currently under review by Finance, the items are denied at this time.

However, even if Finance had approved the OB action, the Agency would not have been eligible to repay these items during the ROPS 14-15B period due to the limitation set forth in HSC section 34191.4 (b) (2) (A). This section allows the repayment of loans to be equal to one-half of the increase between the ROPS residual pass-through distributed to the taxing entities in that fiscal year and the ROPS residual pass-through distributed to the taxing entities in the 2012-13 base year. According to the CAC's report, the amount distributed to the taxing entities for fiscal years 2012-13 and 2013-14

are \$316,564 and \$0, respectively. Therefore, pursuant to the repayment formula, the maximum repayment amount authorized for fiscal year 2014-15 is \$0. Therefore, this item is not eligible for funding at this time. To the extent the OB action is approved by Finance, the Agency may request funding for these items on future ROPS.

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

- Item No. 38 – Twenty percent retention of the city loan repayment in the amount of \$1,978,151 is denied. This item is the twenty percent of the total loan repayment requested for Item Nos. 35 through 37 to be transferred to the Low and Moderate Income Housing Asset Fund. This amount should be included in the total outstanding balance of the city loan and should not be requested separately. Therefore, this item is not an enforceable obligation and is not eligible for RPTTF on this ROPS.

In addition, Finance would like to note:

- Item No. 23 – Reserves for bond debt service and expenses. The Agency has requested to increase the six-month amount by \$10,000. As such, the six-month amount has been increased to \$279,435.

Finance notes that pursuant to HSC section 34183 (a) (2) (A), debt service payments have first priority for payment from distributed RPTTF funding. As such, the \$279,435 requested to be held in reserve along with the amounts required for the current ROPS period should be transferred upon approval and receipt to the bond trustee(s). The amounts approved for debt service payments on this ROPS are restricted for that purpose and are not authorized to be used for other ROPS items. Any requests to fund these debt service items again in the ROPS 15-16A period will be denied unless insufficient RPTTF was received to satisfy the approved annual debt service payments.

- Item No. 34 – Housing entity administrative costs in the amount of \$150,000. Although the item is considered an enforceable obligation, non-administrative RPTTF funding should be requested. Therefore, it has been reclassified from an administrative obligation to a non-administrative obligation.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 14-15B form the estimated obligations and actual payments (prior period adjustments) associated with the January through June 2014 period. HSC section 34186 (a) also specifies prior period adjustments self-reported by successor agencies are subject to review 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 review of the Agency's self-reported prior period adjustment.

Except for the items denied in whole or in part or items that has been reclassified, Finance is not objecting to the remaining items listed on your ROPS 14-15B. The Agency's maximum approved RPTTF distribution for the reporting period is \$1,857,474 as summarized in the Approved RPTTF Distribution Table on the following page:

Approved RPTTF Distribution	
For the period of January through June 2015	
Total RPTTF requested for non-administrative obligations	1,851,599
Total RPTTF requested for administrative obligations	275,000
Total RPTTF requested for obligations on ROPS	\$ 2,126,599
RPTTF adjustment to non-administrative obligations	10,000
RPTTF adjustment to administrative obligations	0
Total RPTTF adjustments	\$ 10,000
Total RPTTF requested for non-administrative obligations	1,861,599
<u>Denied Items</u>	
Item No. 35	(597)
Item No. 36	(4,706)
Item No. 37	(90,515)
Item No. 38	(23,955)
	(119,773)
<u>Reclassified Item</u>	
Item No. 34	150,000
Total RPTTF authorized for non-administrative obligations	\$ 1,891,826
Total RPTTF requested for administrative obligations	275,000
<u>Reclassified Item</u>	
Item No. 34	(150,000)
Total RPTTF authorized for administrative obligations	\$ 125,000
Total RPTTF authorized for obligations	\$ 2,016,826
ROPS 13-14B prior period adjustment	(159,352)
Total RPTTF approved for distribution	\$ 1,857,474

Please refer to the ROPS 14-15B 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 January 1 through June 30, 2015. 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 the 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 agency in the RPTTF.

Pursuant to HSC section 34177 (a) (3), only those payments listed on an approved ROPS may be made by the successor agency from the funds specified in the ROPS. However, if for whatever reason the Agency needs to make payments for approved obligations from another funding source, HSC section 34177 (a) (4) requires the Agency to first obtain oversight board approval.

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
Acting Program Budget Manager

cc: Ms. Susan Paragas, Finance Director, City of Azusa
Ms. Kristina Burns, Manager, Department of Auditor-Controller, Los Angeles County
California State Controller's Office