

December 17, 2014

Ms. Marcela Piedra, Director of Economic Development
City of El Centro
1249 Main Street
El Centro, CA 92243

Dear Ms. Piedra:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated November 11, 2014. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of El Centro Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15B) to Finance on September 30, 2014, for the period of January through June 2015. Finance issued a ROPS determination letter on November 11, 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 November 20, 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.

- During our initial review, Finance determined the Agency possessed funds that should be used prior to requesting Redevelopment Property Tax Trust Fund (RPTTF). Pursuant to HSC section 34177 (l) (1) (E), RPTTF may be used as a funding source, but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation. Finance adjusted the available Reserve Balance by claimed expenditure amount of \$1,190,938 on the Cash Balances Form because the Agency did not report such expenditures in the Prior Period Adjustment Form for the ROPS 13-14B period. With Finance's adjustments, it was determined that the Agency had Reserve Balances totaling \$1,111,703 (\$1,190,938 - 79,235).

During the Meet and Confer process, the Agency contended that the amounts reported in the Reserve Balance for ROPS 13-14B were actually the RPTTF funds received in ROPS 13-14B to make the debt service payments due in ROPS 13-14B. Due to this incorrect reporting of RPTTF funds, it appeared that the Agency had a Reserve Balance of \$1,111,703 after Finance adjustments. The Agency should only report the receipt and use of RPTTF funds in the RPTTF column on the Cash Balance Form. Finance notes that the only RPTTF funds that should have been reflected in the Reserve Balance column in ROPS 13-14B were the amounts to be held in reserve by the trustee, if such

amounts were requested on ROPS 13-14B, for the ROPS 14-15A debt service payment, not the ROPS 13-14B debt service payment.

The Agency should continue to work with Finance after the ROPS process to reconcile the Cash Balance Form. Therefore, Finance will not reclassify the funding source for any items to Reserve Balances in this ROPS period.

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. The amount of RPTTF approved in the table below reflects 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. Proposed CAC adjustments were not received in time for inclusion in this letter; therefore, the amount of RPTTF approved in the table below only reflects the prior period adjustment self-reported by the Agency.

Except for the items that have 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 \$1,014,706 as summarized in the Approved RPTTF Distribution Table below:

Approved RPTTF Distribution	
For the period of January through June 2015	
Total RPTTF requested for non-administrative obligations	889,706
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations on ROPS	\$ 1,014,706
Total RPTTF requested for non-administrative obligations	889,706
Total RPTTF authorized for non-administrative obligations	889,706
Total RPTTF requested for administrative obligations	125,000
Total RPTTF authorized for administrative obligations	125,000
Total RPTTF authorized for obligations	1,014,706
ROPS 13-14B prior period adjustment	0
Total RPTTF approved for distribution	1,014,706

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 Mary Halterman, Analyst, at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Acting Program Budget Manager

cc: Mr. Ruben Duran, City Manager, City of El Centro
Ms. Ann McDonald, Property Tax Manager, Imperial County
California State Controller's Office