

December 17, 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 November 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 14-15B) to Finance on September 30, 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. 60, 61, 64, 65, 66, and 71– Prior ROPS period shortfall items in the amount of \$1,275,000. Finance continues to deny these items. The Agency is requesting funding for these items due to a Redevelopment Property Tax Trust Fund (RPTTF) shortfall during the ROPS 14-15A period. Finance initially denied these items because with the initial reclassification of Item Nos. 67 and 74 and denial of Item No. 72 below, the Agency no longer has a RPTTF shortfall for the ROPS 14-15A period. During the Meet and Confer process, the Agency contended that Item No. 67 should not be reclassified to funds that the Agency has not received. Finance concurs that the funds have not been received and are not available for use at this time. However, the Agency has not provided supporting documents showing that the City did paid for Item Nos. 60 and 61 in the amounts claimed due to a funding shortfall nor has the Agency submitted Oversight Board resolutions approving loan agreements for Item Nos. 64, 65, 66, and 71 for Finance's review. Therefore, Finance continues to deny these items at this time.

Finance will continue to work with the Agency on reconciling the Agency's reported shortfalls of funding after the Meet and Confer process.

- Item No. 67 – Emergency loan for payment of pre-existing lease agreement in the amount of \$1,813,587 was initially reclassified to Other Funds. Finance no longer

reclassifies this item to Other Funds; however, Finance denies \$684,000 of this item. Based on Finance's September 8, 2014 approval of Oversight Board Resolution No. 41 that assigns the purchase option, Finance initially determined that the Agency should fund this item using the credit that the Metropolitan Transportation Authority would provide to the Agency. During the Meet and Confer process, the Agency contended that this property transfer is still pending and they have not received this revenue. Finance concurs that the transfer has not occurred and the revenues have not been received. Therefore, this item should not be reclassified to Other Funds and is eligible for RPTTF funding. However, Oversight Board Resolution No. 23 only approved the loan for this item in the amount of \$1,129,587. As such, the excess \$684,000 requested is denied.

- Item No. 72 – Emergency loan for payment of anticipated debt service shortfall in the amount of \$100,000. Finance continues to deny this item. This item was initially requested during ROPS 13-14B, for in anticipation of a RPTTF shortfall for the period, in which the item was listed for funding again in ROPS 14-15A period. However, according to the Los Angeles County Auditor Controller's ROPS 13-14B RPTTF distribution report, the Agency received \$2,124,260 in RPTTF and total debt service due for the period was \$1,185,064. Finance denied this item pursuant to HSC Section 34183 (a) (2), which states RPTTF received for a ROPS period should be applied to debt service payments first, prior to funding other obligations on the ROPS. As a result, the Agency did not have a debt service shortfall during ROPS 13-14B. The Agency disputed this item during the Meet and Confer process; however, no additional information was provided indicating that the City and Agency entered into a loan agreement to fund debt service or any other enforceable obligations on ROPS 13-14B. Therefore, this item is not an enforceable obligation and is not eligible for RPTTF funding.
- Item No. 74 - Emergency loan for administrative cost allowance in the amount of \$125,000. Finance continues to reclassify this item to the administrative cost allowance. The Agency did not receive sufficient RPTTF during ROPS 14-15A to fund its administrative cost allowance. Since the Agency is only requesting for \$125,000 during ROPS 14-15B, Finance reclassified the requested shortfall amount for ROPS 14-15A to the RPTTF administrative cost allowance. During the Meet and Confer process, the Agency believed that Finance had denied this item; however, Finance is not denying this item, but reclassifying it to the administrative cost allowance to be received in the ROPS 14-15B period since the Agency received \$0 during the ROPS 14-15A period. Therefore, the Agency is approved to receive the full \$250,000 administrative cost allowance for the 2014-15 fiscal year during the ROPS 14-15B period.

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 Nos. 75, 76 and 77– Various emergency loans due to an anticipated shortfall in the ROPS 14-15B period in the amount of \$815,000 are denied. It is our understanding that Agency is anticipating a shortfall of RPTTF distribution for this current ROPS period. Since the Agency has not received its RPTTF distribution for the ROPS 14-15B period, it's not reasonable for the Agency to request funding for shortfalls that have not yet occurred. Therefore, these items are not eligible for RPTTF funding.

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 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 \$3,856,837 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	6,605,837
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations on ROPS	\$ 6,730,837
Total RPTTF requested for non-administrative obligations	6,605,837
<u>Denied Items</u>	
Item No. 60	(50,000)
Item No. 61	(360,000)
Item No. 64	(115,000)
Item No. 65	(125,000)
Item No. 66	(500,000)
Item No. 67	(684,000)
Item No. 71	(125,000)
Item No. 72	(100,000)
Item No. 75	(45,000)
Item No. 76	(600,000)
Item No. 77	(170,000)
	(2,874,000)
<u>Reclassified Item</u>	
Item No. 74	(125,000)
	(125,000)
Total RPTTF authorized for non-administrative obligations	\$ 3,606,837
Total RPTTF requested for administrative obligations	125,000
<u>Reclassified Item</u>	
Item No. 74	125,000
Total RPTTF authorized for administrative obligations	\$ 250,000
Total RPTTF authorized for obligations	\$ 3,856,837
ROPS 13-14B prior period adjustment	0
Total RPTTF approved for distribution	\$ 3,856,837

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 14-15B review, Finance requested financial records to support the cash balances reported by the Agency; however, the Agency was unable to support the amounts reported. As a result, Finance will continue to work with the Agency after the ROPS 14-15B 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 15-16A.

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