



November 14, 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

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 the California Department of Finance (Finance) on September 30, 2014 for the period of January 1 through June 30, 2015. Finance has completed its review of your ROPS 14-15B, which may have included obtaining clarification for various items.

Based on a sample of line items reviewed and application of the law, Finance made the following determinations:

- Item Nos. 60, 61, 64, 65, 66, and 71– Prior ROPS period shortfall items in the amount of \$1,275,000 are denied. The Agency is requesting funding for these items due to a Redevelopment Property Tax Trust Fund (RPTTF) shortfall during the ROPS 14-15A period. With the reclassification of Item No. 67 and 74 and denial of Item No. 72 below, the Agency no longer has a RPTTF shortfall for the ROPS 14-15A period. As such, the Agency should use RPTTF distributed for ROPS 14-15A to fund these items and these items are not eligible for RPTTF funding on this ROPS.
- Item No. 67 – Emergency loan for payment of pre-existing lease agreement in the amount of \$1,813,587 is reclassified to Other Funds. Finance approved Oversight Board Resolution No. 41 on September 8, 2014, which approved the assignment of the purchase option to Metropolitan Transportation Authority (MTA). It is our understanding the Agency will receive a credit from MTA for all lease payments made. As such, the Agency should use the credit MTA will provide to the Agency to pay this obligation. Therefore, this item is not eligible for RPTTF funding.
- Item No. 72 – Emergency loan for payment of anticipated debt service shortfall in the amount of \$100,000 is denied. 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. Pursuant to HSC Section 34183 (a) (2), 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. 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. 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, the requested shortfall amount for ROPS 14-15A has been reclassified to RPTTF administrative costs allowance.
- 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. If you disagree with the determination with respect to any items on your ROPS 14-15B, 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/](http://www.dof.ca.gov/redevelopment/meet_and_confer/)

The Agency's maximum approved RPTTF distribution for the reporting period is \$2,727,250 as summarized in the Approved RPTTF Distribution Table on the next page:

<b>Approved RPTTF Distribution</b>	
<b>For the period of January through June 2015</b>	
Total RPTTF requested for non-administrative obligations	6,605,837
Total RPTTF requested for administrative obligations	125,000
<b>Total RPTTF requested for obligations on ROPS</b>	<b>\$ 6,730,837</b>
<b>Total RPTTF requested for non-administrative obligations</b>	
<b>6,605,837</b>	
<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. 71	(125,000)
Item No. 72	(100,000)
Item No. 75	(45,000)
Item No. 76	(600,000)
Item No. 77	(170,000)
	(2,190,000)
<u>Reclassified Items</u>	
Item No. 67	(1,813,587)
Item No. 74	(125,000)
	(1,938,587)
<b>Total RPTTF authorized for non-administrative obligations</b>	<b>\$ 2,477,250</b>
<b>Total RPTTF requested for administrative obligations</b>	<b>125,000</b>
<u>Reclassified Item</u>	
Item No. 74	125,000
<b>Total RPTTF authorized for administrative obligations</b>	<b>\$ 250,000</b>
<b>Total RPTTF authorized for obligations</b>	<b>\$ 2,727,250</b>
ROPS 13-14B prior period adjustment	0
<b>Total RPTTF approved for distribution</b>	<b>\$ 2,727,250</b>

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>

Absent a Meet and Confer, 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 Cindie Lor, Supervisor or Hugo Lopez, Lead 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