



November 12, 2014

Ms. Laura Gutierrez, Finance Director
City of Imperial
420 South Imperial Avenue
Imperial, CA 92251

Dear Ms. Gutierrez:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Imperial Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15B) to the California Department of Finance (Finance) on October 1, 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:

- The Agency requests to expend housing bond proceeds of \$3,841,180. Pursuant to HSC section 34176 (g) (B), Finance's review is limited to a determination that there are sufficient housing bond proceeds available for a housing successor entity's use. The total amount of bond proceeds available with the Agency has been contested through the Meet and Confer process for the Other Funds Due Diligence Review determination and remains unresolved at this time. Since the Agency has not been able to demonstrate the amount of housing bond proceeds available to fund the following items on ROPS 14-15B, these items are not eligible for funding:
 - Item No. 6 – North Imperial Avenue Senior Apartments
 - Item No. 7 – Project Management - North Imperial Avenue Senior Apartments
 - Item No. 11 – City of Imperial Down Payment Assistance Program
 - Item No. 12 – Housing Rehabilitation Programs

During our review, which may have included obtaining financial records, Finance determined the Agency possesses 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. The Agency provided financial records that displayed available Reserve Balances totaling \$1,496,968.

Therefore, the funding source for the following items has been reclassified to Reserve Balances in the amounts specified below:

- Item No. 1 – 2005 Tax Allocation Bonds. The Agency requests \$545,038 of RPTTF; however, Finance is reclassifying \$545,038 to Reserve Balances. This item is an enforceable obligation for the ROPS 14-15B period. However, the obligation does not require payment from property tax revenues and the Agency has \$545,038 in available Reserve Balances. Therefore, Finance is approving the use of Reserve Balances in the amount of \$545,038.
- Item No. 2 – 2007 Tax Allocation Bonds. The Agency requests \$223,465 of RPTTF; however, Finance is reclassifying \$223,465 to Reserve Balances. This item is an enforceable obligation for the ROPS 14-15B period. However, the obligation does not require payment from property tax revenues and the Agency has \$223,465 in available Reserve Balances. Therefore, Finance is approving the use of Reserve Balances in the amount of \$223,465.
- Item No. 3 – Successor Agency Admin Fee. The Agency requests \$250,000 of RPTTF Admin; however, Finance is reclassifying \$250,000 to Reserve Balances. This item is an enforceable obligation for the ROPS 14-15B period. However, the obligation does not require payment from property tax revenues and the Agency has \$250,000 in available Reserve Balances. Therefore, Finance is approving the use of Reserve Balances in the amount of \$250,000.

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 and adjusted by Finance. Based on Finance's review of the Agency's prior period adjustment reporting, the Agency reported available Non-Admin RPTTF funds of \$1 for the ROPS 13-14B period. Per discussion with the Agency, Finance has adjusted this amount to equal the CAC Non-Admin RPTTF distribution of \$876,854. Since the Agency's actual expenditures totaled \$515,607, the prior period adjustment is revised to \$361,247 (\$876,854 - \$515,607). 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 reflects the prior period adjustment self-reported by the Agency and subsequently adjusted by Finance.

The amount of RPTTF approved in the table below includes excess prior period adjustment of \$361,247. The current approved RPTTF is insufficient to allow for the prior period adjustment of \$361,247 during this ROPS period. The Agency should apply the remaining funds prior to requesting RPTTF on future ROPS.

Except for the items that have 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/

The Agency's maximum approved RPTTF distribution for the reporting period is zero 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	768,503
Total RPTTF requested for administrative obligations	250,000
Total RPTTF requested for obligations on ROPS	\$ 1,018,503
Total RPTTF requested for non-administrative obligations	768,503
Total RPTTF for non-administrative obligations	768,503
<u>Cash Balances - Items reclassified to other funding sources</u>	
Item No. 1	(545,038)
Item No. 2	(223,465)
	(768,503)
Total RPTTF authorized for non-administrative obligations	0
Total RPTTF requested for administrative obligations	250,000
<u>Cash Balances - Items reclassified to other funding sources</u>	
Item No. 3	(250,000)
Total RPTTF authorized for administrative obligations	0
Total RPTTF authorized for obligations	0
Self-reported ROPS 13-14B prior period adjustment (PPA)	(1)
Finance adjustment to ROPS 13-14B PPA	(361,246)
Total ROPS 13-14B PPA	(361,247)
Excess PPA	361,247
Total RPTTF approved for distribution	0

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 Beliz Chappuie, Supervisor or Todd Vermillion, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Acting Program Budget Manager

cc: Mr. George Galvan, Planning & Development Director, City of Imperial
Ms. Ann McDonald, Property Tax Manager, Imperial County
California State Controller's Office