



November 10, 2014

Ms. Cathleen Till, Finance Director
City of Lemon Grove
3232 Main Street
Lemon Grove, CA 91945

Dear Ms. Till:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Lemon Grove Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15B) to the California Department of Finance (Finance) on September 29, 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 No. 13 – Lemon Grove Avenue Realignment contract in the total amount of \$2,019,700 in Bond Proceeds is not an enforceable obligation at this time. HSC section 34163 (b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011. It is our understanding that contracts for this line item has not yet been awarded. Pursuant to HSC section 34191.4 (c), your request to use Bond Proceeds for this obligation may be allowable once the Agency receives a Finding of Completion from Finance.
- Item No. 17 – City of Lemon Grove (City) Loan in the amount of \$350,000 is not allowed. Pursuant to HSC section 34173 (h), the City that authorized the creation of the Agency may loan funding to the Agency for enforceable obligations or administrative costs; however, the loan is subject to Oversight Board (OB) approval.

Health and Safety Code section 34179 (h) provides that notification regarding OB actions be provided in a manner of Finance's choosing. Finance requires OB actions to be submitted electronically to redvelopment_administration@dof.ca.gov. In addition, approved OB resolutions, that have been signed, must be emailed individually (one resolution with supporting documents per email) to Finance and in PDF format unless otherwise specified. Additionally, the subject line should be clear as to what is being submitted and what the resolution is approving. Only OB resolutions that have been approved and signed by the board and emailed individually to Finance (in PDF format) will be considered for Finance's review.

Finance has yet to receive an OB action submitted through the required process for this City/Agency loan. Therefore, this item is not considered an enforceable obligation at this time and is not eligible for Redevelopment Property Tax Trust Funds (RPTTF) in the amount of \$350,000.

- Claimed administrative costs exceed the allowance by \$5,100. HSC section 34171 (b) limits fiscal year 2014-2015 administrative expenses to three percent of property tax allocated to the successor agency or \$250,000, whichever is greater. As a result, the Agency is eligible for \$250,000 in administrative expenses. The San Diego Auditor-Controller's (CAC) Office distributed \$130,100, thus leaving a balance of \$119,900 available for the January through June 2015 period. Although \$125,000 is claimed for administrative cost, only \$119,900 is available pursuant to the cap. Therefore, \$5,100 of excess administrative cost is not allowed

In addition, the following discrepancy was noted during our review:

Item No. 27 – Refinance 2014 Tax Allocation Bonds in the requested amount of \$115,153 should be increased to adequately fund this obligation. The Agency has erroneously underfunded the February 1, 2015 bond payment by \$6,347. With Agency concurrence, Finance has adjusted the original request of RPTTF from \$115,153 to \$121,500 during the ROPS 14-15B period. In addition, this item was incorrectly identified as Refinance 2004 Bond and should have been Refunded 2014 Bond.

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 audit 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, 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 \$509,793 as summarized in the Approved RPTTF Distribution Table on the next page:

Approved RPTTF Distribution For the period of January through June 2015	
Total RPTTF requested for non-administrative obligations	925,710
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations on ROPS	\$ 1,050,710
RPTTF adjustment to non-administrative obligations	6,347
Total RPTTF adjustments	\$ 6,347
Total RPTTF requested for non-administrative obligations	932,057
Denied Item	
Item No. 17	(350,000)
Total RPTTF authorized for non-administrative obligations	\$ 582,057
Total RPTTF requested for administrative obligations	125,000
Administrative costs in excess of the cap (see Admin Cost Cap table below)	(5,100)
Total RPTTF authorized for administrative obligations	\$ 119,900
Total RPTTF authorized for obligations	\$ 701,957
ROPS 13-14B prior period adjustment	(192,164)
Total RPTTF approved for distribution	\$ 509,793

Administrative Cost Cap Calculation	
Total RPTTF for 14-15A (July through December 2014)	1,379,198
Total RPTTF for 14-15B (January through June 2015)	582,057
Total RPTTF for fiscal year 2014-2015	1,961,255
Allowable administrative cost for fiscal year 2014-15 (Greater of 3% or \$250,000)	250,000
Administrative allowance for 14-15A (July through December 2014)	130,100
Allowable RPTTF distribution for administrative cost for ROPS 14-15B	119,900
Total RPTTF administrative obligations after Finance adjustments	125,000
Administrative costs in excess of the cap	\$ (5,100)

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 Wendy Griffe, Supervisor or Jenny DeAngelis, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Acting Program Budget Manager

cc: Mr. Graham Mitchell, City Manager, City of Lemon Grove
Mr. Jon Baker, Senior Auditor and Controller Manager, San Diego County
California State Controller's Office