



October 29, 2014

Mr. Federico Ramirez, Interim City Manager
San Fernando City
117 Macneil Street
San Fernando, CA 91340

Dear Mr. Ramirez:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the San Fernando City Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15B) to the California Department of Finance (Finance) on September 18, 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. 15 – Disposition and Development Agreement (DDA) with Haagen/Tiangus in the amount of \$312,473 is partially denied. According to the repayment schedule provided by the Agency, the payment due is \$252,473. Therefore, \$252,473 is approved for Redevelopment Property Tax Trust Fund (RPTTF) funding and the excess \$60,000 is denied.
- Item No. 32 – City and County loan repayment in the amount of \$253,015 is denied. Pursuant to HSC section 34191.4 (b), loan agreements between the former redevelopment agency and sponsoring entity may be placed on the ROPS if the following requirements are met: (1) The Agency has received a Finding of Completion; and (2) The Agency's oversight board approves the loan as an enforceable obligation by finding the loan was for legitimate redevelopment purposes.

The Agency received a Finding of Completion on October 3, 2013. However, the Agency did not submit an oversight board resolution approving the loan as an enforceable obligation and for legitimate redevelopment purposes. As such, this item is not eligible for RPTTF funding at this time.

During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should be used prior to requesting 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 excess bond reserve balances totaling \$26,037.

Therefore, the funding source for the following items have been reclassified to Bond Proceeds funding and in the amounts specified below:

- Item No. 1 – 1998 Tax Allocation Bond. The Agency requests \$307 of RPTTF for a shortfall from ROPS 13-14B; however, Finance is reclassifying \$307 to Bond Proceeds funding. This item is an enforceable obligation for the ROPS 14-15B period. However, the obligation does not strictly require payment from property tax revenues and the Agency has \$26,037 in available Bond Proceeds. Therefore, Finance is approving the use of Bond Proceeds in the amount of \$307.
- Item No. 2 – 2006 Tax Allocation Bond. The Agency requests \$125,941 of RPTTF for bond interest payment; however, Finance is reclassifying \$25,730 to Bond Proceeds funding. This item is an enforceable obligation for the ROPS 14-15B period. However, the obligation does not strictly require payment from property tax revenues and the Agency has \$26,037 in available Bond Proceeds. Therefore, Finance is approving the use of \$25,730 in Bond Proceeds and \$100,211 in 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 audit by the county auditor-controller (CAC) and the State Controller. The amount of RPTTF approved in the table below includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

Except for the items denied in whole or in part or 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 \$647,731 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	886,978
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations on ROPS	\$ 1,011,978
Total RPTTF requested for non-administrative obligations	886,978
<u>Denied Items</u>	
Item No. 15	(60,000)
Item No. 32	(253,015)
	(313,015)
Total RPTTF for non-administrative obligations	573,963
<u>Cash Balances - Items reclassified to other funding sources</u>	
Item No. 1	(307)
Item No. 2	(25,730)
	(26,037)
Total RPTTF authorized for non-administrative obligations	\$ 547,926
Total RPTTF requested for administrative obligations	125,000
Total RPTTF authorized for administrative obligations	\$ 125,000
Total RPTTF authorized for obligations	\$ 672,926
ROPS 13-14B prior period adjustment	(25,195)
Total RPTTF approved for distribution	\$ 647,731

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. The Agency was able to support the amounts reported except the \$304,036 in Other Funds and \$1,307,403 ROPS III and 13-14B RPTTF Prior Period Adjustments. Therefore, as noted above, Finance has reclassified the available cash balances \$26,037 that were supported by the Agency's records. Finance will continue to work with the Agency after the ROPS 14-15B review period to resolve any remaining issues as described above. If it is determined the Agency possesses additional 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 Veronica Green, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Acting Program Budget Manager

cc: Ms. Sonia Garcia, Junior Accountant, San Fernando City
Ms. Kristina Burns, Manager, Department of Auditor-Controller, Los Angeles County
California State Controller's Office