

October 29, 2014

Ms. Elaine Aguilar, City Manager
City of Sierra Madre
252 West Sierra Madre Boulevard
Sierra Madre, CA 91024

Dear Ms. Aguilar:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Sierra Madre 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. 3 – 1998 Tax Increment Revenue Refunding Bond Series in the amount of \$54,313 is partially denied. Per the bond debt service schedule, the total 2015 interest payment due is \$94,000. Since the Agency is requesting half of the annual interest bond payment, the actual requested Redevelopment Property Tax Trust Fund (RPTTF) should be \$47,000. With Agency concurrence, the \$54,313 requested amount is reduced by \$7,313 to \$47,000.
- Item No. 7 – Professional services in the amount of \$15,000 is denied. It is our understanding the agreement entered into on March 15, 2012 is between the City of Sierra Madre and Rogers, Anderson, Malody & Scot, LLP, and the former redevelopment agency (RDA) is not a party to the contract. Therefore, this line item is not an enforceable obligation to the Agency and is not eligible for RPTTF funding on this ROPS.
- Item No. 8 – Over Adjustment From a Prior Period ROPS 13-14A in the amount of \$151,620 is partially denied. It is our understanding the Agency had a shortfall in the ROPS 13-14A due to an over adjustment of the ROPS II Prior Period Adjustment. The Agency received an adjustment of \$11,037 during the ROPS 14-15A distribution, which counted towards the \$161,151 balance. Therefore, the balance of \$150,114 is approved for RPTTF funding, and the excess \$1,506 is denied.

The administrative costs claimed are within the fiscal year administrative cap pursuant to HSC section 34171 (b). However, Finance notes the oversight board has approved an amount

that appears excessive, given the number and nature of the obligations listed on the ROPS. HSC section 34179 (i) requires the oversight board to exercise a fiduciary duty to the taxing entities. Therefore, Finance encourages the oversight board to apply adequate oversight when evaluating the administrative resources required to successfully wind-down the Agency.

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 item 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 \$282,864 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	205,933
Total RPTTF requested for administrative obligations	114,000
Total RPTTF requested for obligations on ROPS	\$ 319,933
Total RPTTF requested for non-administrative obligations	205,933
<u>Denied Item</u>	
Item No. 3	(7,313)
Item No. 8	(1,506)
	(8,819)
Total RPTTF authorized for non-administrative obligations	\$ 197,114
Total RPTTF requested for administrative obligations	114,000
<u>Denied Item</u>	
Item No. 7	(4,000)
Total RPTTF authorized for administrative obligations	\$ 110,000
Total RPTTF authorized for obligations	\$ 307,114
ROPS 13-14B prior period adjustment	(24,250)
Total RPTTF approved for distribution	\$ 282,864

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. Misty Cheng, Interim Finance Director, City of Sierra Madre
Ms. Kristina Burns, Manager, Department of Auditor-Controller, Los Angeles County
California State Controller's Office