



December 17, 2014

Ms. Tracey Hause, Administrative Services Director
City of Temple City
9701 Las Tunas Drive
Temple City, CA 91780

Dear Ms. Hause:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated November 14, 2014. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Temple City Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15B) to Finance on October 1, 2014, for the period of January through June 2015. Finance issued a ROPS determination letter on November 14, 2014. Subsequently, the Agency requested a Meet and Confer session on one or more of the items denied by Finance. The Meet and Confer session was held on November 25, 2014.

Based on a review of additional information and documentation provided to Finance during the Meet and Confer process, Finance has completed its review of the specific items being disputed.

- Item No. 1 – 2005 Tax Allocation Refunding Bonds in the amount of \$131,671 is increased to \$623,355. Finance previously determined that pursuant to HSC section 34171 (d) (2), the Agency requested \$491,918 during ROPS 14-15A, leaving a balance of \$131,437 to be requested on ROPS 14-15B. We note that the amount approved on the ROPS 14-15A represents the debt service payment due September 1, 2014. In addition, during the meet and confer, the Agency clarified that the amount requested for Item 13 below is the principal and interest payment due September 2015. Pursuant to the 2005 bond indenture, the bonds have first pledge of tax revenues. Therefore, the full annual debt service is an enforceable obligation. Accordingly, Item 1 is increased to \$623,355 and Item 13 remains denied, as further discussed in the following page.

Finance notes that pursuant to HSC section 34183 (a) (2) (A), debt service payments have first priority for payment from distributed Redevelopment Property Tax Trust Fund (RPTTF) funding. As such, the additional funds requested to be held in reserve should be transferred upon receipt to the bond trustee(s) along with the amounts approved for the other ROPS 14-15B debt service payments prior to making any other payments on approved ROPS items. Any requests to fund these reserves again in the ROPS for the July through December 2015 (ROPS 15-16A) period will be denied unless insufficient RPTTF is received to satisfy both the debt service payments due during the ROPS 14-

15B period and the reserve amounts requested in ROPS 14-15B for the ROPS 15-16A debt service payments.

- Item No. 13 – Reserves for 2005 Tax Allocation Refunding Bonds in the amount of \$489,947. Finance continues to deny this item. During the meet and confer process, the Agency clarified that this item is for the principal and interest payment due in September 2015. We note that pursuant to the bond documents, the bonds have a first pledge on tax revenues. Therefore, for clarity purposes, the amount requested for this item has been added to Item 1.

In addition, per Finance's letter dated November 25, 2014, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

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 review 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 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. The Agency's maximum approved RPTTF for the reporting period is \$742,026 as summarized in the Approved RPTTF Distribution Table on the following page:

| Approved RPTTF Distribution For the period of January through June 2015 | |
|--|-------------------|
| Total RPTTF requested for non-administrative obligations | 621,618 |
| Total RPTTF requested for administrative obligations | 125,000 |
| Total RPTTF requested for obligations on ROPS | \$ 746,618 |
| <u>RPTTF adjustment to non-administrative obligations</u> | |
| Item No. 1 | 491,684 |
| Total RPTTF adjustments | \$ 491,684 |
| Total RPTTF requested for non-administrative obligations | 1,113,302 |
| <u>Denied Items</u> | |
| Item No. 13 | (489,947) |
| | (489,947) |
| Total RPTTF authorized for non-administrative obligations | \$ 623,355 |
| Total RPTTF requested for administrative obligations | 125,000 |
| Total RPTTF authorized for administrative obligations | \$ 125,000 |
| Total RPTTF authorized for obligations | \$ 748,355 |
| ROPS 13-14B prior period adjustment | (6,329) |
| Total RPTTF approved for distribution | \$ 742,026 |

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>

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 Evelyn Suess, Dispute Resolution Supervisor, or Danielle Brandon, Analyst, at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Acting Program Budget Manager

cc: Mr. Brian Haworth, Assistant to the City Manager, City of Temple City
Ms. Kristina Burns, Manager, Department of Auditor-Controller, Los Angeles County
California State Controller's Office