



November 14, 2014

Mr. Alex Kung, Assistant to the City Administrator  
City of Vernon  
4305 Santa Fe Ave  
Vernon, CA 90058

Dear Mr. Kung:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Vernon Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15B) to the California Department of Finance (Finance) on October 2, 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 Nos. 3 and 4 – 2005 and 2011 Bond debt service payments of \$1,000,271 and \$689,050. The Agency requested Redevelopment Property Tax Trust Fund (RPTTF) funding to pay the bond debt service payments. However, the bond reserve amounts held with the fiscal agent is greater than the amount required by the bond indentures. Therefore, Finance is reclassifying \$974,448 and \$480,093 in RPTTF funding requested to Bond Proceeds, respectively.

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 Cash Balances totaling \$11,980,607 from property sale proceeds and rent revenue.

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

- Item Nos. 1 through 4, 12, and 28 – Various Agency obligations. The Agency requests \$1,753,905 of Non-Admin RPTTF for these items. These items are enforceable obligations for the ROPS 14-15B period. However, the obligations do not require payment from property tax revenues and the Agency has \$11,980,607 in available Other Funds. Therefore, Finance is approving Bond Proceeds in the amount of \$974,448 and \$480,093, as described above, and the use of Other Funds in the amounts of \$25,823

and 208,957 for Item Nos. 3 and 4, respectively. In addition, Finance is approving the use of Other Funds in the amount of \$64,584 for Item Nos. 1, 2, 12, and 28, totaling \$1,753,905.

- Item Nos. 10 and 11 – Legal Fees and Staff Time. The Agency requests \$122,464 of Admin-RPTTF; however, Finance is reclassifying \$122,464 to Other Funds. These items are enforceable obligations for the ROPS 14-15B period. However, the obligations do not require payment from property tax revenues and the Agency has \$11,980,607 in available Other Funds. Therefore, Finance is approving the use of Other Funds in the amount of \$122,464.

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 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/](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 on the next page:

<b>Approved RPTTF Distribution</b>	
<b>For the period of January through June 2015</b>	
Total RPTTF requested for non-administrative obligations	1,753,905
Total RPTTF requested for administrative obligations	122,464
<b>Total RPTTF requested for obligations on ROPS</b>	<b>\$ 1,876,369</b>
<b>Total RPTTF requested for non-administrative obligations</b>	<b>1,753,905</b>
<u>Reclassified Items to Bond Proceeds</u>	
Item No. 3	(974,448)
Item No. 4	(480,093)
	(1,454,541)
<b>Total RPTTF for non-administrative obligations</b>	<b>299,364</b>
<u>Cash Balances - Items reclassified to other funding sources</u>	
Item No. 1	(3,000)
Item No. 2	(2,700)
Item No. 3	(25,823)
Item No. 4	(208,957)
Item No. 12	(18,500)
Item No. 28	(40,384)
	(299,364)
<b>Total RPTTF authorized for non-administrative obligations</b>	<b>0</b>
<b>Total RPTTF requested for administrative obligations</b>	<b>122,464</b>
<u>Cash Balances - Items reclassified to other funding sources</u>	
Item No. 10	(75,364)
Item No. 11	(47,100)
	(122,464)
<b>Total RPTTF authorized for administrative obligations</b>	<b>0</b>
<b>Total RPTTF authorized for obligations</b>	<b>0</b>
ROPS 13-14B prior period adjustment (PPA)	(36,504)
Excess PPA	36,504
<b>Total RPTTF approved for distribution</b>	<b>0</b>

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 partially support the amounts reported. Therefore, as noted above, Finance has reclassified the available cash balances of \$1,753,905 Non-Admin RPTTF and \$122,464 Admin RPTTF 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: Mr. Gustavo Lamanna, Counsel to Successor Agency, City of Vernon  
Ms. Kristina Burns, Manager, Department of Auditor-Controller, Los Angeles County  
California State Controller's Office