

March 25, 2015

Ms. Tara Schultz, Director of Development Services
City of Alhambra
111 S. First Street
Alhambra, CA 91801

Dear Ms. Schultz:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Alhambra Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 15-16A) to the California Department of Finance (Finance) on February 25, 2015 for the period of July 1, 2015 through December 31, 2015. Finance has completed its review of your ROPS 15-16A, 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 determination:

- Item No. 14 – Supplemental Educational Revenue Augmentation Fund (SERAF) loan repayment in the amount of \$2,028,997 is not allowed. The Agency has not submitted an Oversight Board (OB) action approving a SERAF repayment schedule as required by HSC section 34171 (d) (1) (G). Once the OB approves the loan and loan repayment schedule, and the corresponding OB action is approved by Finance, the Agency may request funding for this item on future ROPS. Therefore, this line item is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding at this time.

The administrative costs claimed are within the fiscal year administrative cap pursuant to HSC section 34171 (d). However, Finance notes the oversight board has approved an amount that appears excessive, given the number and nature of the other obligations listed in 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.

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 Reserve Balances due to an excess prior period adjustment of \$2,287,262 from the ROPS 14-15B period.

Therefore, with the Agency's concurrence, the funding source for the following items has been reclassified to Reserve Balances and in the amounts specified below:

- Item No. 10 – Successor Agency Administrative Costs in the amount \$125,000. The Agency requests \$125,000 of RPTTF; however, Finance is reclassifying \$96,729 to Reserve Balances. This item is an enforceable obligation for the ROPS 15-16A period. However, the obligation does not require payment from property tax revenues. Therefore, Finance is approving RPTTF in the amount of \$28,271, and the use of Reserve Balances in the amount of \$96,729.
- Item No. 15 – CalPERS in the amount of \$227,108. The Agency requests \$227,108 of RPTTF; however, Finance is reclassifying \$227,108 to Reserve Balances. This item is an enforceable obligation for the ROPS 15-16A period. However, the obligation does not require payment from property tax revenues. Therefore, Finance is approving Reserve Balances in the amount of \$227,108.
- Item No. 24 – Series 2013 Tax Allocation Bonds in the amount of \$1,963,425. The Agency requests \$1,963,425 of RPTTF; however, Finance is reclassifying \$1,963,425 to Reserve Balances. This item is an enforceable obligation for the ROPS 15-16A period. However, the obligation does not require payment from property tax revenues. Therefore, Finance is approving Reserve Balances in the amount of \$1,963,425.

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 review of the Agency's self-reported prior period adjustment.

Except for the item denied in whole or in part or items that have been reclassified, Finance is not objecting to the remaining items listed on your ROPS 15-16A. If you disagree with the determination with respect to any items on your ROPS 15-16A, 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 \$28,271 as summarized in the Approved RPTTF Distribution table below:

Approved RPTTF Distribution	
For the period of July through December 2015	
Total RPTTF requested for non-administrative obligations	4,219,530
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations on ROPS	\$ 4,344,530
Total RPTTF requested for non-administrative obligations	4,219,530
<u>Denied Item</u>	
Item No. 14	(2,028,997)
Total RPTTF for non-administrative obligations	\$ 2,190,533
<u>Cash Balances - Items reclassified to Reserve Balances</u>	
Item No. 15	(227,108)
Item No. 24	(1,963,425)
	(2,190,533)
Total RPTTF authorized for non-administrative obligations	0
Total RPTTF requested for administrative obligations	125,000
<u>Cash Balances - Item reclassified to Reserve Balances</u>	
Item No. 10	(96,729)
Total RPTTF authorized for administrative obligations	\$ 28,271
Total RPTTF authorized for obligations	\$ 28,271
ROPS 14-15A prior period adjustment	0
Total RPTTF approved for distribution	\$ 28,271

Please refer to the ROPS 15-16A 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 July 1 through December 31, 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 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 Kylie Oltmann, Supervisor or Nicole Prisakar, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Program Budget Manager

cc: Ms. Silvia Smith, Project Manager, City of Alhambra
Ms. Kristina Burns, Manager, Department of Auditor-Controller, Los Angeles County
California State Controller's Office