



May 15, 2015

Mr. Jesus Gomez, Assistant City Manager
City of El Monte
11333 Valley Boulevard
El Monte, CA 91731

Dear Mr. Gomez:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 10, 2015. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of El Monte Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 15-16A) to Finance on March 3, 2015, for the period of July through December 2015. Finance issued a ROPS determination letter on April 10, 2015. Subsequently, the Agency requested a Meet and Confer session on one or more of the determinations made by Finance. The Meet and Confer session was held on April 29, 2015.

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 determinations being disputed.

- Item No. 68 – Pass through payments in the amount of \$3,465. Finance no longer denies this item; however, Finance reclassifies this item to the administrative cost allowance. Finance initially denied this item because HSC section 34183 (a) (1) states that the County Auditor-Controller (CAC) will make the required pass-through payments starting with the July through December 2012 ROPS. During the Meet and Confer process, the Agency clarified that this item is not a pass-through payment, but a payment to a consultant to verify the pass-through payment calculations. However, these services do not fall into any of the following categories that are specifically excluded from the administrative cap as defined by HSC section 34171 (b):
 - Any litigation expenses related to assets or obligations.
 - Settlements and judgments.
 - The costs of maintaining assets prior to disposition.
 - Employee costs associated with work on specific project implementation activities, including, but not limited to, construction inspection, project management, or actual construction, shall be considered project-specific costs.

Therefore, this item is being reclassified as an administrative cost to be funded from the Redevelopment Property Tax Trust Fund (RPTTF).

- Item No. 80 – Property Management Plan (Implementation Services) in the amount of \$92,840. Finance continues to deny this item. Finance initially denied this item because no additional documents were provided to support the funds loaned from the City were due to the ROPS 14-15A shortfall. During the Meet and Confer process, the Agency contended that Oversight Board Resolution 20 approves the loan of funds. However, the Agency has not submitted this OB resolution by electronic means in a manner of Finance's choosing as required pursuant to HSC section 34179 (h). As such, this OB resolution has not been reviewed or approved by Finance. Therefore, this item is not eligible for RPTTF funding.
- Item No. 82 – Emergency loan in the amount of \$170,000. Finance continues to deny this item. Finance initially denied this item because no additional documents were provided to support the funds loaned from the City were due to the ROPS 14-15A shortfall. During the Meet and Confer process, the Agency contended that Oversight Board Resolution 40 approves the loan of funds. However, the Agency has not submitted this OB resolution by electronic means in a manner of Finance's choosing as required pursuant to HSC section 34179 (h). As such, this OB resolution has not been reviewed or approved by Finance.

The Agency also contended that this loan was provided the City to fund a debt service reserve for a U.S. Department of Housing and Urban Development (HUD) Section 108 Loan. While it does appear that the City's HUD Section 108 Loan requires a reserve, there is no requirement that the reserve is to be funded by the Agency. The former redevelopment agency (RDA) was not a party to the Section 108 Loan between the City and HUD and is not responsible for any obligations of the City. Therefore, this item is not an enforceable obligation and is not eligible for RPTTF funding.

- Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 15-16A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 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.

During the Meet and Confer process, the Agency contended that the prior period adjustment is overstated due to a purported overpayment on the July 2012 True-up, which resulted in a shortfall of funds for the ROPS I period. To the extent that the Agency had a shortfall in funding in the ROPS I period, the Agency should list those items on a subsequent ROPS for review. Additionally, statute does not provide Finance the authority to revise the CAC's review of the prior period adjustment or reduce the amount due to prior period funding shortfalls. Therefore, the prior period adjustment as reviewed by the CAC remains unchanged.

In addition, per Finance's letter dated April 10, 2015, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

In addition, Finance made the following determination:

- Review of ROPS15-16A included the Agency's Oversight Board (OB) Resolution Nos. 50 and 51, approving various city loans to fund the ROPS 14-15B period RPTTF distribution shortfall. Finance approves the loan agreements listed as Item Nos. 67 and 79, respectively, on ROPS 15-16A.

In addition, Finance noted the following during our review:

- On the ROPS 14-15A Prior Period Adjustment worksheet, the Agency's expenditures exceeded Finance's authorization for the following items:
 - Bond Proceeds totaling \$1,473,941 – Item No. 63
 - Other Funds totaling \$250,280 – Item No. 66

Per HSC section 34177 (a) (3), only those payments listed on ROPS may be made by the Agency from the funds specified on the ROPS. However, these items were determined to be enforceable obligations for the ROPS 14-15A period. Therefore, Finance is increasing the Agency's authorization for the ROPS 15-16A period to ensure that authorization is consistent with expenditures for the approved enforceable obligations. As these Other Funds were previously expended, the increase in authorization should not result in increased expenditures, but should merely allow the Agency to reconcile actual expenditures to the authorization.

HSC sections 34177 (a) (4) and 34173 (h) provide mechanisms when Agency payments must exceed the amounts authorized by Finance. Please ensure the proper expenditure authority is received from your Oversight Board and Finance prior to making payments on enforceable obligations.

Except for the items denied in whole or in part, Finance is not objecting to the remaining items listed on your ROPS 15-16A. The Agency's maximum approved RPTTF distribution for the reporting period is \$2,949,667 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	3,479,745
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations on ROPS	\$ 3,604,745
<hr/>	
Total RPTTF requested for non-administrative obligations	3,479,745
Denied Items	
Item No. 80	(92,840)
Item No. 82	(170,000)
	<hr/> (262,840)
Reclassified Item	
Item No. 68	(3,465)
	<hr/> (3,465)
Total RPTTF authorized for non-administrative obligations	\$ 3,213,440
<hr/>	
Total RPTTF requested for administrative obligations	125,000
Reclassified Item(s)	
Item No. 68	3,465
	<hr/> 3,465
Total RPTTF authorized for administrative obligations	\$ 128,465
<hr/>	
Total RPTTF authorized for obligations	\$ 3,341,905
ROPS 14-15A prior period adjustment	(392,238)
Total RPTTF approved for distribution	\$ 2,949,667

Please refer to the ROPS 15-16A 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 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 Evelyn Suess, Dispute Resolution Supervisor, or Mary Halterman, Analyst, at (916) 445-3274.

Sincerely,



JUSTYN HOWARD
Program Budget Manager

cc: Ms. Ernestine Jones, Interim Finance Director, City of El Monte
Ms. Kristina Burns, Manager, Department of Auditor-Controller, Los Angeles County
California State Controller's Office