



April 14, 2015

Ms. Laura Gutierrez, Finance Director
City of Imperial
420 South Imperial Avenue
Imperial, CA 92251

Dear Ms. Gutierrez:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Imperial Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 15-16A) to the California Department of Finance (Finance) on March 2, 2015 for the period of July 1 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 determinations:

- Item Nos. 6, 11, and 14 – Housing Bond Funded projects totaling \$2,388,000 are not enforceable obligations at this time. Pursuant to HSC section 34176 (g) (B), Finance's review is limited to a determination that there are sufficient housing bond proceeds available for a housing successor entity's use. The total amount of bond proceeds available with the Agency has been contested through the Meet and Confer process for the Other Funds Due Diligence Review determination and remains unresolved at this time. Since the Agency has not been able to demonstrate the amount of housing bond proceeds available to fund the following items on ROPS 15-16A, these items are not eligible for funding at this time:
 - Item No. 6 – North Imperial Avenue Senior Apartments for \$1,300,000
 - Item No. 11 – City of Imperial Down Payment Assistance Program for \$88,000
 - Item No. 14 – Worthington Square for \$1,000,000

- Item Nos. 7, 13, and 15 – Project Management Costs totaling \$191,040 is not allowed. The Agency has requested Redevelopment Property Tax Trust Fund (RPTTF) funding for project management costs related to Item Nos. 6, 11, and 14. Because these items have been denied by Finance, the related project management costs are not eligible for funding:
 - Item No. 7 – North Imperial Avenue Senior Apartments for \$104,000
 - Item No. 13 – City of Imperial Down Payment Assistance Program for \$7,040
 - Item No. 15 – Worthington Square for \$80,000

- Item Nos. 16 through 19 – Bond funded projects totaling \$3,794,901 are not enforceable obligations at this time. It is our understanding that contracts are not in place for these line items:
 - Item No. 16 – Street Improvements for \$2,099,901
 - Item No. 17 – Library Improvements for \$750,000
 - Item No. 18 – Sewer Main Improvements for \$545,000
 - Item No. 19 – Business Assistance Program for \$400,000

HSC section 34163 (b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011. It is our understanding that contracts for these line items have not yet been awarded. Pursuant to HSC section 34191.4 (c), your request to use Bond Proceeds for these obligations may be allowable once the Agency receives a Finding of Completion from Finance.

- Item No. 21 – Successor Agency Admin Fee in the amount of \$125,000. The Agency has requested an RPTTF shortfall for the ROPS 14-15A period but has also reported on the Prior Period Adjustments (PPA) form for the same period that this item was paid. Therefore, Item No. 21 is not an enforceable obligation and not eligible for RPTTF funding. To the extent the Agency can demonstrate that this item remains unfunded, the Agency may request funding on the future ROPS.
- Item No. 22 – 2007 Tax Allocation Bonds in the amount of \$183,554. The Agency has requested an RPTTF shortfall for the ROPS 14-15A period, but the Agency reported it expended \$183,554 to cover the RPTTF shortfall on its PPA form. Per communication with the Agency, Finance was informed the Agency did not expend bond reserves when and if required by the indentures to cover this shortfall which would need to be replenished. Although the Agency experienced an RPTTF shortfall for its 2007 Tax Allocation Bonds during ROPS 14-15A period, the obligation did not remain unfunded. Additionally, it is unclear what other funding sources were used to pay the obligation. Therefore, this item is not eligible for RPTTF funding.

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 completed the Cash Balances tab that displayed available Other Funds totaling \$77.

Therefore, the funding source for the following item has been reclassified to Other Funds in the amount specified below:

- Item No. 20 – 2007 Tax Allocation Bonds Trustee Fees in the amount of \$2,000. The Agency requests \$2,000 of RPTTF; however, Finance is reclassifying \$77 to Other Funds. This item is an enforceable obligation for the ROPS 15-16A period. However, the obligation does not require payment from property tax revenues and the Agency has \$77 in available Other Funds. Therefore, Finance is approving RPTTF in the amount of \$1,923 and the use of Other Funds in the amount of \$77, totaling \$2,000.

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. Proposed CAC adjustments were not received in time for inclusion in this letter; therefore, the amount of approved in the table below only reflects the prior period adjustment self-reported by the Agency.

Except for the items 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/

The Agency's maximum approved RPTTF distribution for the reporting period is \$1,303,195 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	1,552,866
Total RPTTF requested for administrative obligations	250,000
Total RPTTF requested for obligations on ROPS	\$ 1,802,866
Total RPTTF requested for non-administrative obligations	1,552,866
<u>Denied Item(s)</u>	
Item No. 7	(104,000)
Item No. 13	(7,040)
Item No. 15	(80,000)
Item No. 22	(183,554)
	(374,594)
	\$ 1,178,272
<u>Cash Balances - Item reclassified to Other Funds</u>	
Item No. 20	(77)
Total RPTTF authorized for non-administrative obligations	\$ 1,178,195
Total RPTTF requested for administrative obligations	250,000
<u>Denied Item</u>	
Item No. 21	(125,000)
Total RPTTF authorized for administrative obligations	\$ 125,000
Total RPTTF authorized for obligations	\$ 1,303,195
ROPS 14-15A prior period adjustment	0
Total RPTTF approved for distribution	\$ 1,303,195

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 Beliz Chappuie, Supervisor or Todd Vermillion, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Program Budget Manager

cc: Mr. George Galvan, Planning & Development Director, City of Imperial
Ms. Ann McDonald, Property Tax Manager, Imperial County
California State Controller's Office