



May 15, 2015

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

Dear Ms. Gutierrez:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 14, 2015. 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 Finance on March 2, 2015, for the period of July through December 2015. Finance issued a ROPS determination letter on April 14, 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 24, 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 Nos. 6, 11, and 14 – Housing Bond Funded projects totaling \$2,388,000. Finance no longer denies these items. The Agency received a Finding of Completion on May 11, 2015 and can now spend pre-2011 bonds for the purpose in which they were issued pursuant to HSC section 34191.4 (c)(1). During the Meet and Confer process, the Agency provided additional documentation to support the housing bond proceeds' balance. Based on that documentation, only \$2,308,221 is available in unencumbered housing bond proceeds. Therefore, with the Agency's concurrence, Item No. 11 is reduced by \$79,779. More specifically, the Agency is permitted the following expenditures in housing bond proceeds for ROPS 15-16A:
 - Item No. 6 – North Imperial Avenue Senior Apartments for \$1,300,000
 - Item No. 11 – City of Imperial Down Payment Assistance Program for \$8,221
 - Item No. 14 – Worthington Square for \$1,000,000
- Item Nos. 7, 13, and 15 – Project Management Costs totaling \$191,040 payable from Redevelopment Property Tax Trust Fund (RPTTF). Finance continues to deny these items. The Agency received a Finding of Completion on May 11, 2015. While the Agency is authorized to expend excess pre-2011 bond proceeds under HSC section 34191.4 (c)(1), the use of excess bond proceeds does not constitute enforceable

obligations as per HSC section 34171 and therefore, do not create further enforceable obligations. As such, the Agency's request to fund project management costs incidental to the use of excess bond proceeds is not eligible for funding out of RPTTF. Finance notes that to the extent allowable, the Agency should use available bond proceeds to fund project management costs and should request such funding on a future ROPS.

- Item Nos. 16 through 19 – Bond funded projects totaling \$3,794,901. Finance no longer denies these items. As stated above, the Agency received a Finding of Completion on May 11, 2015 and can now spend pre-2011 bond proceeds in the manner for which they were issued. Based on documentation provided by the Agency, as well as the Other Funds and Accounts Due Diligence Review issued by Finance on May 10, 2015, the requested bond funds are available for use on this ROPS and will be used in accordance with the bond indentures. Therefore, the Agency is permitted to spend bond proceeds for ROPS 15-16A as follows:
 - 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

In addition, per Finance's letter dated April 14, 2015, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

- 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. 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>

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 Danielle Brandon, Analyst, at (916) 445-3274.

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

Ms. Laura Gutierrez

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