



May 15, 2015

Ms. Cathleen Till, Finance Director  
City of Lemon Grove  
3232 Main Street  
Lemon Grove, CA 91945

Dear Ms. Till:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 15, 2015. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Lemon Grove 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 15, 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 22, 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. 32 – City Loan in the amount of \$165,215. Finance continues to deny this item. This loan was denied in Finance's OB 2015-10 Determination letter dated May 15, 2015. The Agency stated they overpaid the CAC by \$165,215 during the July true-up due to an accounting error. However, Finance initially denied this item because the Agency was not able to provide documentation to show the July true-up calculation was in error.

During the Meet and Confer process, the Agency contended this loan is related to the bond payments made during the ROPS I period. The Agency stated that a portion of the bond payments were mistakenly listed to be paid from the Low and Moderate Income Housing Trust Fund; however, no funds were available and the payments should have been made from the Redevelopment Property Tax Trust Fund (RPTTF). To the extent the Agency had a shortfall in funding in the January through June 2012 ROPS period (ROPS I), the Agency should list those items on a subsequent ROPS for review.

For the item currently listed on the ROPS and related to OB 2015-10, the July 2012 True-Up process was to collect residual pass-through payments owed to the affected taxing entities for the ROPS I period and is not tied to an enforceable obligation as defined in HSC section 34171 (d). Therefore, Item No. 32 is not approved for RPTTF funding on this ROPS.

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 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 denied in whole, 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 \$2,115,010 as summarized in the Approved RPTTF Distribution table below:

<b>Approved RPTTF Distribution</b>	
<b>For the period of July through December 2015</b>	
Total RPTTF requested for non-administrative obligations	2,335,635
Total RPTTF requested for administrative obligations	125,000
<b>Total RPTTF requested for obligations on ROPS</b>	<b>\$ 2,460,635</b>
<b>Total RPTTF requested for non-administrative obligations</b>	<b>2,335,635</b>
<u>Denied Items</u>	
Item No. 32	(165,215)
<b>Total RPTTF authorized for non-administrative obligations</b>	<b>\$ 2,170,420</b>
<b>Total RPTTF requested for administrative obligations</b>	<b>125,000</b>
<b>Total RPTTF authorized for administrative obligations</b>	<b>\$ 125,000</b>
<b>Total RPTTF authorized for obligations</b>	<b>\$ 2,295,420</b>
ROPS 14-15A prior period adjustment	(180,410)
<b>Total RPTTF approved for distribution</b>	<b>\$ 2,115,010</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 15-16A review, Finance requested financial records to support the cash balances reported by the Agency; however, the Agency was unable to support the beginning balances for Bond Proceeds and RPTTF. As a result, Finance will continue to work with the Agency after the ROPS 15-16A review period to properly identify the Agency's cash balances. If it is determined the Agency possesses 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 15-16B.

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 OB 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: Mr. Graham Mitchell, City Manager, City of Lemon Grove  
Mr. Jon Baker, Senior Auditor and Controller Manager, San Diego County  
California State Controller's Office