



October 22, 2015

Mr. John Michicoff, Interim Finance Director
City of Covina
125 East College Street
Covina, CA 91723

Dear Mr. Michicoff:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m) (1) (A), the City of Covina Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule for the period January 1 through June 30, 2016 (ROPS 15-16B) to the California Department of Finance (Finance) on September 21, 2015. Finance has completed its review of the ROPS 15-16B.

Based on a sample of line items reviewed and application of the law, Finance made the following determinations:

- Item No. 25 – Loan repayment to the Supplemental Educational Revenue Augmentation Fund (SERAF) in the amount of \$74,709 is not allowed.

HSC section 34191.4 (b) (2) (A) allows this repayment to be equal to one-half of the increase between the ROPS residual pass-through distributed to the taxing entities in that fiscal year and the ROPS residual pass-through distributed to the taxing entities in the fiscal year 2012-13 base year. According to the County Auditor-Controller's report, the amount distributed to the taxing entities for fiscal year 2012-13 and 2014-15 are \$2,206,216 and \$3,374,794, respectively. Therefore, pursuant to the repayment formula, the maximum repayment amount authorized for 2015-16 is \$584,289. Finance approved the requested maximum repayment amount during ROPS 15-16A for SERAF loans and City loans, therefore, the requested \$74,709 of excess loan repayment is not eligible for funding on this ROPS. The Agency may be eligible for additional funding in a subsequent fiscal year.

- Item No. 30 – City Loan repayment in the amount of \$99,929 is not allowed. The Agency requests \$49,526 of Other Funds and \$50,403 of Redevelopment Property Tax Trust Fund (RPTTF) for this obligation. The Agency received a Finding of Completion on April 18, 2013. As such, the Agency may place loan agreements between the former redevelopment agency and sponsoring entity on the ROPS, as an enforceable obligation, provided the oversight board makes a finding the loan was for legitimate redevelopment purposes per HSC section 34191.4 (b) (1).

HSC section 34191.4 (b) (3) (A) specifies the interest on the outstanding principal amount after the original effective date of the loan shall be recalculated from the date of origination as approved by the former RDA at a simple interest rate of three percent. Monies repaid shall be applied first to principal, and second to interest. Finance approved the requested maximum repayment amount during ROPS 15-16A for SERAF loans and City loans during ROPS 15-16A, therefore, the requested \$99,929 of excess loan repayment is not eligible for funding on this ROPS. The Agency may be eligible for additional funding in a subsequent fiscal year.

- Item No. 36 – Housing administrative costs allowance in the amount of \$150,000. Pursuant to HSC section 34171 (p), the housing successor administrative cost allowance is applicable only in cases where the city, county, or city and county that authorized the creation of the redevelopment agency elected to not assume the housing functions. Because the housing successor to the former redevelopment agency of the City of Covina (City) is the City-formed Housing Authority (Authority) and the Authority operates under the control of the City, the Authority is considered the City under Dissolution Law pursuant to HSC section 34167.10. Therefore, \$150,000 of housing successor administrative allowance requested for ROPS 15-16B and total outstanding amount of \$600,000 is not allowed.

Pursuant to HSC section 34186 (a) (1), the Agency was required to report on the ROPS 15-16B form the estimated obligations versus actual payments (prior period adjustment) associated with the January through June 2015 period (ROPS 14-15B). HSC section 34186 (a) (1) also specifies the prior period adjustment self-reported by the Agency is subject to review by the county auditor-controller (CAC). The amount of RPTTF approved in the table on the next page 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 or in part, Finance is not objecting to the remaining items listed on your ROPS 15-16B. If you disagree with Finance's determination with respect to any items on your ROPS 15-16B, except for those items which are the subject of litigation disputing Finance's previous or related determinations, 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 \$2,594,531 as summarized in the Approved RPTTF Distribution table on the next page:

Approved RPTTF Distribution	
For the period of January through June 2016	
Total RPTTF requested for non-administrative obligations	2,781,121
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations on ROPS 15-16B	\$ 2,906,121
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Total RPTTF requested for non-administrative obligations	2,781,121
<u>Denied Items</u>	
Item No. 25	(74,709)
Item No. 30	(50,403)
Item No. 36	(150,000)
	<hr/> (275,112)
Total RPTTF authorized for non-administrative obligations	\$ 2,506,009
Total RPTTF authorized for administrative obligations	\$ 125,000
Total RPTTF authorized for obligations	\$ 2,631,009
ROPS 14-15B prior period adjustment	(36,478)
Total RPTTF approved for distribution	\$ 2,594,531

On the ROPS 15-16B form, the Agency reported cash balances and activity for the period January 1 through December 31, 2015. Finance will perform a review of the Agency's self-reported cash balances on an ongoing basis. Please be prepared to submit financial records and bridging documents to support the cash balances reported upon request. If it is determined the Agency possesses cash balances that are available to pay approved obligations, HSC section 34177 (l) (1) (E) requires these balances be used prior to requesting RPTTF.

Please refer to the ROPS 15-16B schedule used to calculate the total RPTTF approved for distribution:

<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 January 1 through June 30, 2016. This determination only applies to items when 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 ROPS periods. All items listed on a future ROPS are subject to review and may be denied even if it was not denied on this ROPS or a preceding ROPS. The only exception is for items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). Finance's review of Final and Conclusive items 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 available prior to the enactment of the redevelopment dissolution statutes. 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.

Please direct inquiries to Kylie Oltmann, Supervisor, or Nicole Prisakar, Lead Analyst at (916) 445-1546.

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Sincerely,



JUSTYN HOWARD
Program Budget Manager

cc: Ms. Theresa Franke, Interim Finance Manager, City of Covina
Ms. Kristina Burns, Manager, Department of Auditor-Controller, Los Angeles County