



December 17, 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

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated October 22, 2015. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Covina Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 15-16B) to Finance on September 21, 2015, for the period of January 1 through June 30, 2016. Finance issued a ROPS determination letter on October 22, 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 November 9, 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. 25 – Loan repayment to the Supplemental Educational Revenue Augmentation Fund (SERAF) denied in the amount of \$74,709. Finance no longer denies this item. Finance initially denied this item because the maximum repayment amount authorized for 2015-16 is \$584,289 and Finance approved the requested maximum repayment amount during ROPS 15-16A. During the Meet and Confer process, the Agency contended that insufficient Other Funds are available in the ROPS 15-16A period to make the payment that was approved by Finance. On the ROPS 15-16A cash balance form, the Agency reported an ending available cash balance of \$717,158, which was adequately supported by the accounting records provided; however, the Agency requested and Finance approved \$955,282 of Other Funds for enforceable obligations during the ROPS 15-16A period. As a result, the Agency has insufficient Other Funds in the ROPS 15-16A period to make a payment on this item. Therefore, Finance approves \$74,709 from the Redevelopment Property Tax Trust Fund (RPTTF) to fund this item.
- Item No. 30 – City Loan repayment denied in the amount of \$99,929 (\$49,526 of Other Funds and \$50,403 of RPTTF funding). Finance no longer denies this item. Finance initially denied this item because the maximum repayment amount authorized for 2015-16 is \$584,289 and Finance approved the requested maximum repayment amount during ROPS 15-16A. During the Meet and Confer process, the Agency contended that

insufficient Other Funds are available in the ROPS 15-16A period to make the payment that was approved by Finance. Additionally, during the Meet and Confer process, the Agency requested to revise the amounts to \$33,183 of Other Funds and \$66,746 of RPTTF funding. On the ROPS 15-16A cash balance form, the Agency reported an ending available cash balance of \$717,158, which was adequately supported by the accounting records provided; however, the Agency requested and Finance approved \$955,282 of Other Funds for enforceable obligations during the ROPS 15-16A period. As a result, the Agency has insufficient Other Funds in the ROPS 15-16A period to make a payment on this item. Therefore, Finance approves \$33,183 of Other Funds and \$66,746 of RPTTF funding for this item.

- Item No. 41– Reserves for the Tax Allocation Revenue Refunding Bonds Series 2013E in the amount of \$544,250 of RPTTF funding. During the Meet and Confer process, the Agency identified an error in the amount reported on the ROPS and requested that the amount be increased to \$554,250 as shown on the debt service schedule. Based on a review of the debt service schedule, the amount due for the December 1, 2016, is \$554,250. Therefore, Finance is increasing the amount of RPTTF funding for this item by \$10,000 to \$554,250.

In addition, per Finance's letter dated October 22, 2015, we continue to make the following determination not contested by the Agency during the Meet and Confer:

- 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. The Agency's maximum approved RPTTF distribution for the reporting period is \$2,745,986 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
RPTTF adjustment to non-administrative obligations	26,343
Total RPTTF adjustments	\$ 26,343
Total RPTTF requested for non-administrative obligations	2,807,464
<u>Denied Items</u>	
Item No. 36	(150,000)
	(150,000)
Total RPTTF authorized for non-administrative obligations	\$ 2,657,464
Total RPTTF authorized for obligations	\$ 2,782,464
ROPS 14-15B prior period adjustment	(36,478)
Total RPTTF approved for distribution	\$ 2,745,986

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>

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.

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