



December 17, 2015

Mr. Jesus Gomez, City Manager
City of El Monte
11333 Valley Boulevard
El Monte, CA 91731

Dear Mr. Gomez:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated November 13, 2015. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of El Monte Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 15-16B) to Finance on October 1, 2015, for the period of January 1 through June 30, 2016. Finance issued a ROPS determination letter on November 13, 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 30, 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. 85 – Debt service reserve for a U.S. Department of Housing and Urban Development (HUD) Section 108 Loan in the amount of \$170,000 was not approved. Finance continues to deny this item. It is our understanding that the reserve requirement was listed on ROPS 14-15B and 15-16A as Item Nos. 77 and 82, respectively. Finance initially denied this item because based on our review of the Redevelopment Cooperation Loan Agreement between the City of El Monte (City) and the former El Monte Redevelopment Agency (RDA) there is no requirement that the reserve be funded by the Agency. During the Meet and Confer process, the Agency contended that the Contract for Loan Guarantee Assistance requires that the reserve is funded by the Agency. However, the Contract for Loan Guarantee Assistance was entered into by the City and HUD, and the former RDA is not a party to the agreement. The Agency did not provide an agreement entered into by the former RDA where the former RDA agreed to fund the debt service reserve account referenced in the City's Contract for Loan Guarantee Assistance. Therefore, this item is not an obligation of the Agency.
- Item No. 87 – Request for July 2012 True Up payment in the amount of \$343,610 was not allowed. Finance continues to deny this item. This line item is the balance of the true-up payment that was due to the Los Angeles County Auditor-Controller (CAC) per the July 11, 2012 Notice for Demand Letter. Finance denied the item because the July 2012 True Up process was to collect residual pass-through payments owed to the

affected taxing entities for the January through June 2012 period, and is not tied to an enforceable obligation as defined in the HSC section 34171 (d). During the Meet and Confer process, the Agency contended that the payment was miscalculated, which resulted in the Agency having insufficient funds for debt service payments in the ROPS I period. Specifically, the Agency requested that this item be increased to \$391,460 to equal the amounts for ROPS I, Item Nos. 4 and 7. However, the Agency received authority to spend existing funds for those items during ROPS I. As such, it is unclear why the Agency would need the additional funds given that those items were already paid. To the extent the Agency had an actual shortfall in funding in the ROPS I period, the Agency should list and request funding on those specific items on a subsequent ROPS for Finance's review. Therefore, this item is not an enforceable obligation and not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.

- Claimed administrative costs exceed the allowance by \$3,465. HSC section 34171 (b) (2) limits fiscal year 2015-16 administrative expenses to three percent of the RPTTF allocated to the successor agency or \$250,000, whichever is greater. As a result, the Agency is eligible for \$250,000 in administrative expenses. The Los Angeles CAC distributed \$128,465 for the July through December 2015 period, thus leaving a balance of \$121,535 available for the January through June 2016 period. Although \$125,000 is claimed for administrative cost, only \$121,135 is available pursuant to the cap. Therefore, \$3,465 of excess administrative cost is not allowed.

During the Meet and Confer process, the Agency believed this reduction is a contradiction of Finance's ROPS 15-16A determination related to the approval of Item No. 68. On ROPS 15-16A, Finance approved Item No. 68; however, Finance also determined that Item No. 68 totaling \$3,465 was an administrative cost and reclassified the funding source to the administrative cost allowance. As such, the Agency's approved administrative cost allowance for ROPS 15-16A was \$128,465. HSC section 34171 (b) (2) limits fiscal year 2015-16 administrative expenses to \$250,000; since \$128,465 has already been approved, the Agency may only receive the remaining balance of \$121,535. Therefore, Finance continues to deny the excess \$3,465 that was requested.

In addition, per Finance's letter dated November 13, 2015, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

- Item Nos. 18 and 89 – Nelson Honda loan and Unfunded 2007 Bond Trustee Fees. The Agency requested to decrease the six-month amount from \$300,000 to \$50,000 for Item No. 18, and requested to decrease the six-month amount for Item No. 89 from \$4,288 to \$4,000. As a result, the total RPTTF funding requested for enforceable obligations has been decreased by \$250,288.

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 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.

In addition, Finance noted on the Agency's ROPS 14-15B prior period adjustment worksheet, the Agency's expenditures exceeded Finance's authorization for the following items:

- Other Funding totaling \$575,248 – Item No. 4, \$321,597; Item No. 5, \$139,560; and Item No. 6, \$114,091

Per HSC section 34177 (a) (3), only those payments listed on a ROPS may be made by the Agency from the funds specified on the ROPS up to the amount authorized by Finance. HSC sections 34177 (a) (4) and 34173 (h) (1) provide mechanisms when Agency payments must exceed the amounts authorized by Finance. Please ensure the proper expenditure authority is received from your oversight board and Finance prior to making payments on enforceable obligations.

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 \$1,283,110 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	1,925,473
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations on ROPS 15-16B	\$ 2,050,473
RPTTF adjustment to non-administrative obligations	250,288
Total RPTTF adjustments	\$ 250,288
Total RPTTF requested for non-administrative obligations	1,675,185
<u>Denied Items</u>	
Item No. 85	(170,000)
Item No. 87	(343,610)
	(513,610)
Total RPTTF authorized for non-administrative obligations	\$ 1,161,575
Total RPTTF requested for administrative obligations	125,000
Administrative costs in excess of the cap (see Admin Cost Cap table below)	(3,465)
Total RPTTF authorized for administrative obligations	\$ 121,535
Total RPTTF authorized for obligations	\$ 1,283,110
ROPS 14-15B prior period adjustment	0
Total RPTTF approved for distribution	\$ 1,283,110

Administrative Cost Cap Calculation	
Total RPTTF for 15-16A (July through December 2015)	2,821,202
Total RPTTF for 15-16B (January through June 2016)	1,161,575
Total RPTTF for fiscal year 2015-2016	3,982,777
Administrative cost cap for fiscal year 2015-16 (Greater of 3% of Total RPTTF or \$250,000)	250,000
Administrative allowance for ROPS 15-16A (July through December 2015)	(128,465)
Remaining administrative cost cap for ROPS 15-16B	121,535
ROPS 15-16B administrative obligations after Finance adjustments	125,000
Administrative costs in excess of the cap	\$ 3,465

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.

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. Ernestine Jones, Finance Director, City of El Monte
Ms. Kristina Burns, Manager, Department of Auditor-Controller, Los Angeles County