DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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March 29, 2016

Ms. Victoria Danganan, Senior Accountant
City of El Cajon
200 Civic Center Way
El Cajon, CA 92020

Dear Ms. Danganan:

Subject: 2016-17 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of El Cajon Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule for the period July 1, 2016 through June 30, 2017 (ROPS 16-17) to the California Department of Finance (Finance) on January 25, 2016. Finance has completed its review of the ROPS 16-17.

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

- Item Nos. 1 through 3 – Tax Allocation Refunding Bonds funded from the Redevelopment Property Tax Trust Fund (RPTTF) totaling $2,360,159 is approved. However, Finance notes the approved RPTTF must be used for ROPS 17-18 debt service.

  Pursuant to HSC section 34183 (a) (2) (A), debt service obligations have first priority for payment from distributed RPTTF funding. As such, the $2,360,159 of RPTTF authorized to be held in reserve, along with the amounts required for the current ROPS period, should be transferred upon receipt to the bond trustee(s). RPTTF funding approved for debt service obligations is restricted for that purpose and is not authorized to be used for other ROPS items. Any requests to fund the $2,360,159 again from RPTTF will not be approved unless insufficient RPTTF was received to satisfy the approved debt service.

- Item No. 11 – Remediation Costs totaling $101,000 is partially approved in the amount of $50,000 in Other Funds. Finance has determined the Reimbursement and Indemnity Agreement (Agreement) is an enforceable obligation. However, the Agency is only required to reimburse the developer for remediation costs associated with a specific parcel. The Agency was unable to provide supporting documents that ties the parcel to be remediated to the Agreement. To the extent the Agency can provide suitable supporting documentation, this item may be eligible for RPTTF funding in the future. Therefore, the requested amount of $51,000 in RPTTF is not approved. In addition, the Agency requested Other Funds in the amount of $50,000. It is our understanding these Other funds are State grant funds for the remediation of this parcel; therefore, Finance is approving the use of these funds in the amount of $50,000.

- Item No. 63 – Project Management Costs in the total amount of $6,000 is not approved. The Agency was unable to substantiate that they own the property associated with these project management costs. To the extent that the Agency can provide suitable supporting documentation, this item may be eligible for RPTTF is the future.

- Item Nos. 92, 94, 95, and 98 – Improvement Projects funded with $2,220,000 in Bond Proceeds. The Agency received a Finding of Completion on April 11, 2013 and is allowed to expend bond proceeds derived from bonds issued prior to January 1, 2011 (pre-2011 bond proceeds) in a manner consistent with the bond covenants. Our approval is specifically limited to the use of excess pre-2011 bond proceeds pursuant to HSC section 34191.4 (c) (1). Such approval, however, should not be construed as approval of the project itself as an enforceable obligation.

Except for the item denied in whole and in part, Finance is not objecting to the remaining items listed on your ROPS 16-17. If you disagree with Finance's determination with respect to any items on your ROPS 16-17, 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/

On the ROPS 16-17 form, the Agency reported cash balances and activity for the period of July 1, 2015 through June 30, 2016. Finance performs a review of the Agency's self-reported cash balances on an ongoing basis. 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 enforceable obligations, HSC section 34177 (l) (1) (E) requires these balances to be used prior to requesting RPTTF.

The Agency's maximum approved RPTTF distribution for the reporting period is $5,314,738 as summarized in the Approved RPTTF Distribution table on page 4 (See Attachment).

ROPS distributions will occur twice annually, one distribution for the July 1, 2016 through December 31, 2016 (ROPS A period), and one distribution for the January 1, 2017 through June 30, 2017 (ROPS B period) based on Finance's approved amounts. Since Finance's determination is for the entire ROPS 16-17 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

On the ROPS 16-17 form, the Agency was not required to report the estimated obligations versus actual payments (prior period adjustment) associated with the July 1, 2015 through December 31, 2015 period (ROPS 15-16A). The Agency will report actual payments for ROPS 15-16A and ROPS 15-16B on the ROPS 18-19 form pursuant to HSC section 34186 (a) (1). A prior period adjustment will be applied to the Agency's ROPS 18-19 RPTTF distribution. Therefore, the Agency should retain any unexpended RPTTF for ROPS 15-16A and ROPS 15-16B.

Please refer to the ROPS 16-17 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 determination related to the enforceable obligations reported on your ROPS for the period July 1, 2016 through June 30, 2017. This determination only applies to items when funding was requested for the 12-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 Wendy Griffe, Supervisor, or Jared Smith, Lead Analyst, at (916) 445-1546.

Sincerely,

JUSTYN HOWARD
Program Budget Manager

cc: Ms. Holly Reed-Falk, Financial Operations Manager, City of El Cajon
Mr. Jon Baker, Senior Auditor and Controller Manager, San Diego County

Attachment

Approved RPTTF Distribution For the period of July 2016 through June 2017			
	ROPS A Period	ROPS B Period	Total
Requested RPTTF (excluding administrative obligations)	$ 2,691,580	$ 2,430,158	$ 5,121,738
Requested Administrative RPTTF	125,000	125,000	$ 250,000
Total RPTTF requested for obligations on ROPS 16-17	**$ 2,816,580**	**$ 2,555,158**	**$ 5,371,738**
Total RPTTF requested	2,691,580	2,430,158	5,121,738
Denied Items			
Item No. 11	(30,500)	(20,500)	(51,000)
Item No. 63	(3,000)	(3,000)	(6,000)
	(33,500)	(23,500)	(57,000)
Total RPTTF authorized	**2,658,080**	**2,406,658**	**$ 5,064,738**
Total Administrative RPTTF requested	125,000	125,000	250,000
Total Administrative RPTTF authorized	**125,000**	**125,000**	**$ 250,000**
Total RPTTF approved for distribution	**2,783,080**	**2,531,658**	**$ 5,314,738**