



April 11, 2016

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

Dear Mr. Gomez:

Subject: 2016-17 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of El Monte 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 29, 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 No. 56 – EB 5 Project Interest Payment in the amount of \$962,500 is partially allowed. It is our understanding the \$962,500 requested is comprised a \$525,000 loan repayment between the City of El Monte and the Agency for funds loaned from the 2011 El Monte Public Financing Authority Revenue Bond (2011 Authority Bonds) proceeds and \$437,500 for the anticipated bond refunding cost related to the 2011 Authority Bonds. However, no documentation was provided to support the bond refunding costs as an enforceable obligation. Therefore, the excess \$437,500 (\$962,500 – \$525,000) is not an enforceable obligation and not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.
- Item No. 63 – Transit Village Project funded with \$2,427,881 in Bond Proceeds. The Agency received a Finding of Completion on April 24, 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). Therefore, we have changed the obligation type from improvement/Infrastructure to “Bond Funded Project – Pre-2011”. Such approval, however, should not be construed as approval of the project itself as an enforceable obligation.
- Item No. 68 – Unfunded pass-through payments to various School Districts in the total outstanding amount of \$434,517 is partially allowed. It is our understanding the Agency received a Claim for back-owed pass-through payments and audit cost reimbursement from the El Monte City School District (School District) dated October 15, 2013.

According to the Claim, the Agency owes \$299,463 in pass-through payments for fiscal years 2006-07 and 2007-08 and \$70,000 for audit services, totaling \$369,463.

To further support the obligation, the Agency provided a Memorandum from the Dolinka Group dated June 30, 2014, showing \$427,017 is due for unfunded pass-through and \$7,500 for audit services. Included in the \$427,017 for past due pass-through payments is an inflationary payment above the actual amount of pass-through owed. Therefore, the excess \$127,554 (\$427,017 - \$299,463) of inflationary payment does not meet the definition of an enforceable obligation and is not eligible for RPTTF.

- Item No. 90 – Debt Service Reserve due to ROPS 16-17B anticipated RPTTF distribution shortfall in the amount of 880,506 is not allowed. It is our understanding the amount requested as a reserve is the difference between the amounts of RPTTF authorized for ROPS 16-17B and the expected property tax distribution. Since the ROPS 16-17B distribution has not yet occurred, the anticipated shortfall is not an enforceable obligation and is not approved for funding.

In addition, 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, making this request unnecessary.

- Item Nos. 92 and 93 – ROPS I Unfunded liability for 2007 Senior Tax Allocation Bonds (TABs) and 2007 Subordinate TABs in the amount of \$344,634 and \$46,826, respectively continues to be denied. These items were previously listed as Item No. 87 in Finance's ROPS 15-16B and ROPS 15-16B Meet and Confer determinations. The Agency did not provide any additional documentation to support the ROPS 16-17 request; therefore these items are not enforceable obligations and not eligible for funding.

Except for the items denied in whole or 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 \$4,478,938 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 future RPTTF distribution. Therefore, the Agency should retain any difference in unexpended RPTTF.

Please refer to the ROPS 16-17 schedule used to calculate the total RPTTF approved for distribution:

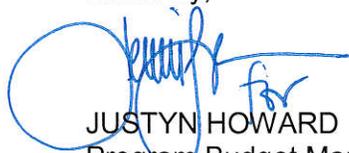
<http://www.dof.ca.gov/redevelopment/ROPS>

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

Sincerely,



JUSTYN HOWARD
Program Budget Manager

cc: Ms. Dominique Clark, Consultant, City of El Monte
Ms. Kristina Burns, Manager, Department of Auditor-Controller, Los Angeles 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)	\$ 3,397,091	\$ 2,668,867	\$ 6,065,958
Requested Administrative RPTTF	125,000	125,000	250,000
Total RPTTF requested for obligations on ROPS 16-17	3,522,091	2,793,867	\$ 6,315,958
Total RPTTF Requested	3,397,091	2,668,867	6,065,958
<u>Denied Items</u>			
Item No. 56	0	(437,500)	(437,500)
Item No. 68	(127,554)	0	(127,554)
Item No. 90	(880,506)	0	(880,506)
Item No. 92	(344,634)	0	(344,634)
Item No. 93	(46,826)	0	(46,826)
	(1,399,520)	(437,500)	(1,837,020)
Total RPTTF authorized	1,997,571	2,231,367	4,228,938
Total Administrative RPTTF authorized	125,000	125,000	\$ 250,000
Total RPTTF approved for distribution	2,122,571	2,356,367	\$ 4,478,938