



March 29, 2016

Mr. Gilbert Rojas, Interim Finance Director  
City of Lemon Grove  
3232 Main Street  
Lemon Grove, CA 91945

Dear Mr. Rojas:

Subject: 2016-17 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Lemon Grove 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 28, 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. 2 – 2007 Tax Allocation Bonds (TAB) is approved in the total amount of \$760,699. The Agency originally requested \$330,611 in reserves and \$154,294 in Redevelopment Property Tax Trust Fund (RPTTF) funding for debt service payments due for the July 1, 2016 through December 31, 2016 (ROPS A period). However, the \$330,611 in reserves was originally RPTTF approved for Item No. 27 during the January 1, 2015 through June 30, 2015 (ROPS 15-16B) period. Therefore, the Agency must request to use \$330,611 in RPTTF for the ROPS A period on this item. To meet the Agency's debt service payment, Finance is increasing the Agency's RPTTF request from \$154,294 to \$484,905, a total increase of \$330,611, for the ROPS A period. As a result, Finance is approving \$484,905 in RPTTF funding for the ROPS A period and \$275,794 for the ROPS B period, totaling \$760,699.
- Item No. 13 – Lemon Grove Avenue Realignment funded with \$500,000 in Bond Proceeds. The Agency received a Finding of Completion on December 2, 2015 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.
- Item No. 27 – Refinance 2004 Bond in the total amount of \$329,462 of RPTTF is not allowed. The Agency originally requested \$222,806 in RPTTF in the ROPS A period and \$106,656 in RPTTF for the ROPS B period. However, in ROPS 15-16B the Agency was approved for \$330,611 in RPTTF Reserve funding. Therefore, the Agency should

already have \$330,611 on hand to meet the debt service payment for ROPS 16-17. Since the Agency requires \$329,462 for this obligation, Finance is increasing the Agency's Reserve funding request from zero to \$329,462, an increase of \$329,462. As a result, Finance is approving \$222,806 in Reserve funding for ROPS A and \$106,656 in Reserve funding for ROPS B, totaling \$329,462.

- Item No. 34 – 2014 Tax Allocation Bonds reserve requirement totaling \$330,611 is partially approved. The Agency requested RPTTF funding for debt service payments due for the next 12-month period. Based upon our review, the bond indenture does require all tax revenues to be deposited until the full year's bond debt service is covered. The debt service payment for the ROPS 17-18 period is \$326,874; therefore, \$3,737 is not allowed and only \$326,874 is approved.

Pursuant to HSC section 34183 (a) (2) (A), debt service payments have first priority for payment from distributed RPTTF funding. As such, the additional \$326,874 requested to be held in reserve along with the amounts required for the current ROPS period must be transferred upon receipt to the bond trustee. The amounts approved for debt service payments on this ROPS are restricted for that purpose and are not authorized for other ROPS items. Future requests to fund these debt service items again will be denied unless insufficient RPTTF was received to satisfy the approved annual debt service payments.

Except for the item denied in whole and the item that have been adjusted, 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/](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. Pursuant to HSC section 34177 (l) (1) (E), agencies are required to use all available funding sources prior to RPTTF for payment of enforceable obligations. During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should be used prior to requesting RPTTF. Therefore, with the Agency's concurrence, the funding source for the following item has been reclassified to Other Funds and in the amounts specified below:

Item No. 18 – City Side Fund Liability due to PERS in the amount of \$11,549. The Agency requests \$201,574 from RPTTF; however, Finance is reclassifying \$11,549 to Other Funds. This item is an enforceable obligation for the ROPS 16-17 period. Therefore, Finance is approving \$190,025 from RPTTF, \$11,549 from Other Funds, totaling \$201,574 for this obligation.

The Agency's maximum approved RPTTF distribution for the reporting period is \$2,879,006 as summarized in the Approved RPTTF Distribution table on page 4 (See Attachment).

ROPS distributions will occur twice annually, one distribution for the ROPS A period, and one distribution for the January 1, 2017 through June 30, 2017 (ROPS B period) based on Finance's approved amounts. As 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:

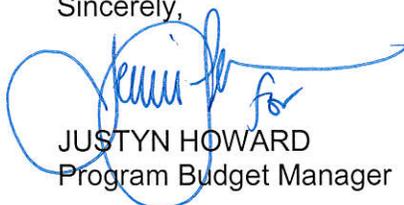
<http://www.dof.ca.gov/redevelopment/ROPS>

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 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. Lydia Romero, City Manager, City of Lemon Grove  
Mr. Jon Baker, Senior Auditor and Controller Manager, San Diego County

**Attachment**

<b>Approved RPTTF Distribution</b>			
<b>For the period of July 2016 through June 2017</b>			
	<u>ROPS A Period</u>	<u>ROPS B Period</u>	<u>Total</u>
Requested RPTTF (excluding administrative obligations)	\$ 1,273,475	\$ 1,369,668	\$ 2,643,143
Requested Administrative RPTTF	125,000	125,000	\$ 250,000
<b>Total RPTTF requested for obligations on ROPS 16-17</b>	<b>\$ 1,398,475</b>	<b>\$ 1,494,668</b>	<b>\$ 2,893,143</b>
Adjustment to Agency Requested RPTTF	330,611	0	330,611
<b>Total RPTTF adjustment</b>	<b>330,611</b>	<b>0</b>	<b>\$ 330,611</b>
Total RPTTF requested	1,604,086	1,369,668	2,973,754
<u>Denied Items</u>			
Item No. 27	(222,806)	(106,656)	(329,462)
Item No. 34	0	(3,737)	(3,737)
	(222,806)	(110,393)	(333,199)
<u>Reclassified Item</u>			
Item No. 18	(11,549)	0	(11,549)
<b>Total RPTTF authorized</b>	<b>1,369,731</b>	<b>1,259,275</b>	<b>\$ 2,629,006</b>
Total Administrative RPTTF requested	125,000	125,000	250,000
<b>Total Administrative RPTTF authorized</b>	<b>125,000</b>	<b>125,000</b>	<b>\$ 250,000</b>
<b>Total RPTTF approved for distribution</b>	<b>1,494,731</b>	<b>1,384,275</b>	<b>\$ 2,879,006</b>