DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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May 17, 2016

Mr. Nick Fenley, Acting City Manager
City of Calexico
608 Heber Avenue
Calexico, CA 92231

Dear Mr. Fenley:

Subject: 2016-17 Annual Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 14, 2016. Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Calexico Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule for the period of July 1, 2016 through June 30, 2017 (ROPS 16-17) to Finance on February 01, 2016. Finance issued a ROPS determination letter on April 14, 2016. 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 April 28, 2016.

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. 21 – 2014 Refunding Bonds reclassified in the amount of $130,000. Finance continues to reclassify the amount from R Redevelopment Property Tax Trust Fund (RPTTF) to reserves. The Agency contends that all RPTTF received during the period of January 1, 2016 through June 30, 2017 (ROPS 15-16B) was paid out to the Trustee in that period. Review of ROPS 15-16B period shows a total of $1,417,300 was approved between interest (item no. 21) and principal (item no. 23) payments for the 2014 Refunding bonds debt service payments. During the ROPS 15-16B period the Agency's debt service payment totaled an amount of $277,300 (interest) leaving a balance of $1,140,000. During the ROPS 16-17, Finance reclassified item no. 23 from RPTTF to reserves in an amount of $1,010,000; leaving the Agency with a remaining balance of $130,000. Subsequently, this amount was applied to the interest payment for item no.21. Therefore, Finance continues to reclassify an amount of $130,000 from RPTTF to reserve funds.

- Item No. 27 – CUSD Capital Facilities funded from 2011 Bond Proceeds was partially allowed in the amount of $71,864. Finance continues to partially allow this item. The Agency requests to expend $1,446,592 derived from its 2011 Tax Allocation Bonds (School District). Pursuant to HSC section 34191.4 (c) (2), after receiving a Finding of Completion the Agency may expend proceeds derived from bonds issued on or after January 1, 2011, in a manner consistent with the original bond covenants. The Agency

received a Finding of Completion on October 3, 2013. Finance initially adjusted this item because HSC section 34191.4 (c) (2) (A) limits the Agency's expenditure authority to five percent of the 2011 bond proceeds until the Agency has an approved Last and Final ROPS.

During the Meet and Confer process, the Agency contended that the proceeds of the bonds are the property of the Calexico Unified School District (CUSD), not the Agency. However, none of the agreements between the former Redevelopment Agency (RDA) and CUSD require the former RDA to build the project or send the 2011 Bond Proceeds to CUSD. Since an enforceable obligation did not exist prior to June 27, 2011, related to the use of the 2011 Bond Proceeds, the limitations of HSC section 34191.4 (c) (2) (A) apply to this issuance. Therefore, the Agency may only expend $71,864 of proceeds derived from their 2011 Tax Allocation Bonds (School District).

In addition, per Finance's letter dated April 14, 2016, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

- Item No. 20 – Projects in the amount of $2,784,958 in Bond Proceeds. The Agency received a Finding of Completion on October 3, 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 reported for the item to "Bond Funded Project – Pre-2011". Such approval, however, should not be construed as approval of the applicable projects themselves as enforceable obligations.

  Furthermore, projects funded with pre-2011 bond proceeds are limited to the amount of proceeds available with the Agency. According to the Agency's general ledger, pre-2011 bond proceeds available is $2,582,592. Therefore, the excess $202,366 ($2,784,958 - $2,582,592) in Bond Proceeds is not allowed.

- Item No. 29 – Capital Improvement Projects Funded from 2011 TABs (5 percent) funded from 2011 bond proceeds in the amount of $309,221 is not allowed. Pursuant to HSC section 34191.4 (c) (2), after receiving a Finding of Completion the Agency may expend proceeds derived from bonds issued on or after January 1, 2011 in a manner consistent with the original bond covenants.

  HSC 34191.4 (c) (2) (A) limits the Agency's expenditure authority to five percent of the 2011 bond proceeds until the Agency has an approved Last and Final ROPS. As such, the Agency may only expend $277,704 of proceeds derived from their 2011 Tax Allocation Bonds. Additionally, the Agency was unable to provide support for estimates listed on ROPS 16-17. To the extent the Agency can provided supporting documentation such as third party estimates, draft estimates, or bid documents, this item may be eligible for Bond Proceeds funding up to $277,704 in the future.

- Finance reclassified funding source for the following items from Redevelopment Property Tax Trust Fund (RPTTF) to Reserve Balances to accurately reflect the use of bond reserves approved during the January 1, 2016 through June 30, 2016 period (ROPS 15-16B) to fund debt service payments during the July 1, 2016 through December 31, 2016 period (ROPS A period):

- Item No. 19 – Principal payments for the 2000 and 2006 TABs in the amount of $70,000
- Item No. 23 – 2014 Refunding TABs (Principal Only) in the amount of $1,010,000

- Finance increased requested RPTTF by a total of $20,000 for the following items:
  - Item No. 19 – Finance is approving the Agency's request to increase RPTTF funding requested from $70,000 to $75,000, an increase of $5,000 for the January 1, 2016 through June 30, 2016 period (ROPS B period).
  - Item No. 23 – Finance is approving the Agency's request to increase RPTTF funding requested from $1,010,000 to $1,025,000, an increase of $15,000 for the ROPS B period.

Except for the items denied in whole or in part or the items that have been adjusted, Finance is not objecting to the remaining items listed on your ROPS 16-17.

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 $2,531,580 as summarized in the Approved RPTTF Distribution Table on Page 5 (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

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 Evelyn Suess, Dispute Resolution Supervisor, Satveer Ark, Analyst, at (916) 445-1546.

Sincerely,

JUSTYN HOWARD
Program Budget Manager

cc: Mr. Eduardo Gutierrez, Acting Finance Director, City of Calexico
Ms. Ann McDonald, Property Tax Manager, Imperial 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)	$ 1,859,118	$ 1,826,887	$ 3,686,005
Requested Administrative RPTTF	0	35,575	35,575
Total RPTTF requested for obligations on ROPS 16-17	1,859,118	1,862,462	**$ 3,721,580**
Adjustment to Agency Requested RPTTF			
Item No. 19	0	5,000	5,000
Item No. 23	0	15,000	15,000
Total RPTTF adjustments	0	20,000	**$ 20,000**
Total RPTTF requested	1,859,118	1,846,887	**3,706,005**
Reclassified Items			
Item No. 19	(70,000)	0	(70,000)
Item No. 21	(130,000)	0	(130,000)
Item No. 23	(1,010,000)	0	(1,010,000)
	(1,210,000)	0	(1,210,000)
Total RPTTF authorized	649,118	1,846,887	**$ 2,496,005**
Total Administrative RPTTF authorized	0	35,575	**$ 35,575**
Total RPTTF approved for distribution	649,118	1,882,462	**$ 2,531,580**