DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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May 17, 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

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated March 29, 2016. 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 of July 1, 2016 through June 30, 2017 (ROPS 16-17) to Finance on January 25, 2016. Finance issued a ROPS determination letter on March 29, 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 11, 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. 11 – Remediation Costs totaling $101,000 payable from $50,000 in Other Funds and $51,000 in Redevelopment Property Tax Trust Fund (RPTTF). Finance continues to deny the portion of this item payable from RPTTF. Finance previously determined the Reimbursement and Indemnity Agreement (Agreement) is an enforceable obligation. However, Finance had also determined that the Agreement requires only that the Agency reimburse the developer for remediation costs associated with a specific parcel. In addition, at the time of our original review, the Agency was unable to support that the parcel to be remediated tied to the Agreement.

  During the Meet and Confer, the Agency provided additional documentation including parcel maps and Assessor documents that tied the parcel to the Agreement and to a San Diego Region Water Control Board's (SDRWCB) clean-up order. However, the clean-up order is addressed to the City of El Cajon and does not obligate the Agency to the clean-up. Additionally, the enforceable obligation of the Agency, the Agreement, is that the Agency reimburse the developer for the developer's costs to remediate the property, not that the Agency will conduct or contract for the remediation of the property.

  Finally, we note that the Agency Oversight Board action 01-16 approving the professional services agreement to perform further ground water investigation pursuant to the SDRWCB clean-up order was denied by Finance on February 25, 2016.

Therefore, the requested amount of $51,000 in RPTTF is not allowed. However, the requested amount of $50,000 in Other Funds, identified as State grant funds for the remediation of this property, is approved. To the extent the Agency receives a reimbursement request from the developer, this item may be placed on a future ROPS for review.

- Item No. 63 – Project Management Costs in the total amount of $6,000. Finance continues to deny this item. Based on additional review of Item No. 11 above, the Agency was able to support the SDRWCB clean-up order is related to parcel numbers in the Agreement entered into by the Agency. However, as indicated above, the Agreement requires the Agency to reimburse the developer for the costs of the remediation, not to conduct or contract for the remediation. Therefore, it is unlikely the Agency will incur the staff engineer project management costs represented in this item. Therefore, this item is not an enforceable obligation and not eligible for RPTTF in the amount of $6,000 on this ROPS.

In addition, per Finance's letter dated March 29, 2016, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

- 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 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.

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

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, or Danielle Brandon, Analyst, at (916) 445-3274.

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)
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**