

May 17, 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

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 11, 2016. 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 of July 1, 2016 through June 30, 2017 (ROPS 16-17) to Finance on January 29, 2016. Finance issued a ROPS determination letter on April 11, 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 27, 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. 56 – EB 5 Project Interest Payment in the amount of \$962,500. Finance continues to partially approve this item. Finance initially approved \$525,000 for the amount due to the City of El Monte (City) relating to the loan repayment for the 2011 El Monte Public Financing Authority Revenue Bond and denied the additional \$437,500 requested to cover bond refunding costs. During the Meet and Confer process, the Agency did not provide any additional documents to substantiate this amount. Furthermore, it is our understanding that bond refunding costs are satisfied with bond proceeds at the time of issuance. Therefore, the amount of \$437,500 in Redevelopment Property Tax Trust Fund (RPTTF) is not eligible for funding.
- Item No. 68 – Unfunded pass-through payments to various School Districts in the total outstanding amount of \$434,517. Finance no longer partially approves this item, but reduces the amount to \$0. Finance initially denied a portion of this item because the past due pass-through payment amount included an inflationary payment above the actual amount of pass-through payments owed. During the Meet and Confer process, the Agency contended that the entire \$434,517 is required to satisfy unfunded pass-through payments, citing a Memorandum from the Dolinka Group dated June 30, 2014, showing \$427,017 is due for unfunded pass-through payments and \$7,500 for audit services.

However, it is unclear what the actual amount owed should be because an October 15, 2013, letter from the El Monte City School District stated that the Agency owed \$299,463 in unfunded prior-year pass-through payments and an additional \$70,000 in audit services based on calculations from the Dolinka Group. Furthermore, a March 19, 2014, memo from Rosenow Spevacek Group (RSG) calculated that the Agency owes the schools districts \$427,035 with audit services to cost no more than \$15,000. As a result, the Dolinka Group sent the June 30, 2014, memo referenced by the Agency, which confirmed that the calculation of \$427,017 is the amount owed to the school districts with audit services of \$7,500. However, the Agency did not provide additional documents to validate how either Dolinka Group or RSG arrived at their respective amounts owed for unfunded pass-through payments. To the extent the Agency can provide additional documents, such as reports from the County Auditor-Controller showing the tax increment allocated to the various project areas, the tax share calculations for the affected taxing entities within the project areas, and an accounting of the payments that were made, the Agency may submit an amended ROPS by October 1, 2016, to include the actual amount owed. Therefore, the amount requested of \$127,554 is reduced to \$0.

- Item No. 90 – Debt Service Reserve due to ROPS 16-17B anticipated RPTTF distribution shortfall in the amount of \$880,506. Finance continues to deny this item. During the Meet and Confer process, the Agency stated that this item is a request for reserve in the 16-17A period to cover the anticipated shortfall in the 16-17B period. However, the Agency has not yet incurred a shortfall and an anticipated shortfall is not an enforceable obligation and is not approved for funding. Furthermore, Finance's determination is for the entire ROPS 16-17 period, the County Auditor-Controller is authorized to distribute and the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.
- 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. Finance continues to deny these items. During the Meet and Confer process, the Agency contended that this amount is related to Item Nos. 4 and 7 requested during the period of January 1, 2012 through June 30, 2012 (ROPS I). The Agency stated that they had incorrectly requested funding from the Low and Moderate Income Housing Fund to satisfy these items, which caused the Agency to have a shortfall of RPTTF in this period. However, a review of prior period adjustment from the ROPS I period shows that these obligations were paid in full. Therefore, it appears that the Agency had sufficient funds available to satisfy these obligations. To the extent the Agency can provide supporting documents to show items went unpaid on a ROPS or that the City loaned funds to the Agency to make these payments, it may request funds on a subsequent ROPS. Therefore, these items are not eligible for RPTTF funding.

In addition, per Finance's letter dated April 11, 2016, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

- 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.

Except for the items denied in whole or 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 \$4,171,975 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.

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Please direct inquiries to Evelyn Suess, Dispute Resolution Supervisor, Satveer Ark, 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			
	<u>ROPS A Period</u>	<u>ROPS B Period</u>	<u>Total</u>
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	(434,517)	0	(434,517)
Item No. 90	(880,506)	0	(880,506)
Item No. 92	(344,634)	0	(344,634)
Item No. 93	(46,826)	0	(46,826)
	(1,706,483)	(437,500)	(2,143,983)
Total RPTTF authorized	1,690,608	2,231,367	3,921,975
Total Administrative RPTTF authorized	125,000	125,000	\$ 250,000
Total RPTTF approved for distribution	1,815,608	2,356,367	\$ 4,171,975