



May 17, 2013

Ms. Daphne Hodgson, Deputy City Manager
City of Seaside
440 Harcourt Avenue
Seaside, CA 93955

Dear Ms. Hodgson:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS 13-14A) letter dated April 13, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Seaside Successor Agency (Agency) submitted ROPS 13-14A to Finance on February 27, 2013 for the period of July 1 through December 31, 2013. Subsequently, the Agency requested a Meet and Confer session on one or more of the items denied by Finance. The Meet and Confer session was held on April 22, 2013.

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 item being disputed.

- Claimed administrative costs exceed the allowance by \$13,105. HSC section 34171 (b) limits fiscal year 2013-14 administrative expenses to three percent of property tax allocated to the successor agency or \$250,000, whichever is greater. As a result the Agency is eligible for \$250,000. Although, \$200,455 is claimed, Item Nos. 14, 15, 17, 18, and 19 for legal and consulting services totaling \$62,650 are considered administrative expenses and should be counted toward the cap. Therefore, \$13,105 of excess administrative cost is not allowed.

Finance continues to reclassify these items as administrative costs. During the Meet and Confer, the Agency contends the items are enforceable obligations because the services are required for implementation of specific projects that are enforceable obligations and are not administrative in nature. However, the legal services, consultant services, contracting services and legal advertising do not fall into any of the following categories that are specifically excluded from the administrative cap as defined by HSC section 34171 (b):

- Any litigation expenses related to assets or obligations.
- Settlements and judgments.
- The costs of maintaining assets prior to disposition.

- o Employee costs associated with work on specific project implementation activities, including, but not limited to, construction inspection, project management, or actual construction, shall be considered project-specific costs.

In addition, per Finance's ROPS letter dated April 13, 2013, the following items continue to be denied and were not contested by the Agency:

- Item No. 2 – 2003 Tax Allocation Bonds in the amount of \$17,564,906. The Agency identified the debt service payment for this period as \$2,112,025, but later requested the amount be adjusted to reflect \$1,761,012, the actual debt service payment as outlined in the debt service payment schedule. Therefore, Finance is adjusting this line item by \$351,013 for Redevelopment Property Tax Trust Fund (RPTTF) funding, as requested by the Agency.
- Item Nos. 8 and 9 – West Broadway Urban Village project costs totaling \$3,795,000. The Agency requested \$10,000 RPTTF funding for Item 8 and \$25,000 to use bond proceeds for Item 9. It is our understanding that contracts for these line items have not yet been awarded. HSC section 34163(b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011. Therefore, these items are not enforceable obligations and are not eligible for RPTTF funding on the ROPS.
- Item Nos. 23 and 24 – Supplemental Educational Revenue Augmentation Fund (SERAF) loans totaling \$4,790,218 are not enforceable obligations at this time. Finance inadvertently used the incorrect code to deny these items during the ROPS review and the Agency requested the correct code be used in order to clarify the issue moving forward. As a result, Finance is using HSC section 34176 (e) (6) (B) that states, specifies loan or deferral repayments to the LMIHF shall not be made prior to the 2013-14 fiscal year. While ROPS 13-14A technically falls within fiscal year 2013-14, the repayment of loaned amounts is subject to the repayment formula outlined in HSC section 34176 (e) (6) (B).

HSC section 34176 (e) (6) (B) allows this repayment to be equal to one-half of the increase between the ROPS residual pass-through distributed to the taxing entities in that fiscal year and the ROPS residual pass-through distributed to the taxing entities in the 2012-13 base year. Since the formula does not allow for estimates, the Agency must wait until the ROPS residual pass-through distributions are known for fiscal year 2013-14 before requesting funding for this obligation. Therefore, the Agency may be able to request funding for the repayment of housing deferred set-aside loans beginning with ROPS 14-15A.

Except for items denied in whole or in part as enforceable obligations, Finance is not objecting to the remaining items listed on your ROPS 13-14A. Obligations deemed not to be enforceable shall be removed from your ROPS. This is Finance's final determination related to the enforceable obligations reported on your ROPS for July through December 2013. Finance's determination is effective for this time period only and should not be conclusively relied on for future periods. All items listed on a future ROPS are subject to a subsequent review and may be denied even if it was or was not denied on this ROPS or a preceding ROPS.

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is \$2,336,621 as summarized below:

Approved RPTTF Distribution Amount For the period of July through December 2013	
Total RPTTF funding requested for obligations	\$ 4,064,165
Minus: Six-month total for items denied or reclassified as administrative cost	
Item 2	351,013
Item 8	10,000
Item 14*	13,750
Item 15*	13,750
Item 17*	20,000
Item 18*	14,025
Item 19*	1,125
Item 23	993,094
Item 24	136,307
Total approved RPTTF for enforceable obligations	\$ 2,511,101
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost	250,000
Minus: ROPS II prior period adjustment	(424,480)
Total RPTTF approved for distribution:	\$ 2,336,621

*Reclassified as administrative cost

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2012 period. The amount of RPTTF approved in the above table includes the prior period adjustment that was self-reported by the Agency. HSC Section 34186 (a) also specifies that the prior period adjustments self-reported by successor agencies are subject to audit by the county auditor-controller (CAC) and the State Controller. Any proposed CAC adjustments were not received in time for inclusion in this letter. Therefore, the amount of RPTTF approved in the above table includes only the prior period adjustment that was self-reported by the Agency.

Please refer to the ROPS 13-14A schedule that was used to calculate the approved RPTTF amount:

[http://www.dof.ca.gov/redevelopment/ROPS/ROPS 13-14A Forms by Successor Agency/](http://www.dof.ca.gov/redevelopment/ROPS/ROPS%2013-14A%20Forms%20by%20Successor%20Agency/).

This is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2013. Finance's determination is effective for this time period only and should not be conclusively relied upon for future periods. All items listed on a future ROPS are subject to a subsequent review and may be denied even if it was or was not denied on this ROPS or a preceding ROPS. The only exception is for those items that have received a Final and Conclusive determination from Finance pursuant to HSC 34177.5 (i). Finance's review of items that have received a Final and Conclusive determination 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 that was available prior to enactment of ABx1 26 and AB 1484. This amount is not and never was an unlimited funding source. 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 successor agency in the RPTTF.

To the extent proceeds from bonds issued after December 31, 2010 exist and are not encumbered by an enforceable obligation pursuant to 34171 (d), HSC section 34191.4 (c)(2)(B) requires these proceeds be used to defease the bonds or to purchase those same outstanding bonds on the open market for cancellation.

Please direct inquiries to Kylie Le, Supervisor or Michael Barr, Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Ms. Lisa Brinton, Redevelopment Project Manager, City of Seaside
Ms. Julie Aguero, Auditor Controller Analyst II, County of Monterey
California State Controller's Office