



REVISED

December 16, 2013

Ms. Michelle Skaggs-Lawrence, Deputy City Manager  
City of Oceanside  
300 North Coast Highway  
Oceanside, CA 92054

Dear Ms. Skaggs-Lawrence:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS 13-14B) letter dated November 14, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Oceanside Successor Agency (Agency) submitted ROPS 13-14B to Finance on September 30, 2013 for the period of January through June 2014. On December 4, 2013, Finance was made aware of a funding insufficiency for the upcoming ROPS 13-14B period. At the time of the November 14, 2013 ROPS 13-14B determination letter from Finance, it was believed the Agency had \$3,110,126 cash on-hand available for expenditures. Based on the updated cash balance reconciliations and documentation provided regarding fund balances, Finance has completed its review of the funding insufficiency for ROPS 13-14B and believes a revised ROPS 13-14B determination letter is necessary.

HSC section 34171 (d) defines enforceable obligations. Based on a sample of line items reviewed and application of the law, the following do not qualify as enforceable obligations for the reasons specified:

- Item No. 5 – Twenty Percent Set-Aside Deficit Loan Repayment in the total amount of \$1,021,330 is not allowed at this time. The Agency received a Finding of Completion on May 15, 2013. As such, the Agency may place a loan agreement between the former redevelopment agency and sponsoring entity on the ROPS, as an enforceable obligation, provided the oversight board makes a finding that the loan was for legitimate redevelopment purposes per HSC section 34191.4 (b) (1). However, HSC section 34176 (e) (6) (B) specifies loan or deferral repayments to the Low and Moderate Income Housing Fund shall not be made prior to the 2013-14 fiscal year. While ROPS 13-14B falls within fiscal year 2013-14, the repayment of this city loan is subject to the repayment formula outlined in HSC section 34191.4 (b) (2) (A).

HSC section 34191.4 (b) (2) (A) 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, this item is not eligible for funding at this time.

- Claimed Administrative Costs exceed the allowance by \$2,800. HSC section 34171 (b) limits the fiscal year 2013-14 administrative expenses to three percent of property tax allocated to the Agency or \$250,000, whichever is greater. The San Diego County Auditor-Controller (CAC) distributed \$250,000 for the July through December 2013 period, thus leaving a balance of \$0 available for the January through June 2014 period. Although \$0 is claimed for administrative cost, Item No. 11 for Annual Audit in the amount of \$2,800 is considered an administrative expense and should be counted toward the cap. Therefore, \$2,800 of excess administrative cost is not allowed.

During our review, Finance determined the Agency possesses funds that are required to be used prior to requesting RPTTF. Pursuant to HSC section 34177 (I) (1) (E), RPTTF may be used as a funding source, but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation. The Agency attested that there is available other funds totaling \$166,774, and available RPTTF totaling \$426,613 as of June 30, 2013 for a total of \$593,387.

Therefore, the funding sources for the following items are being reclassified to other funds and reserve balances totaling \$593,387, in the amounts specified below:

- Item No. 39 – 2010-11 Pass-Through Payment in the amount of \$262,272. The Agency requests \$262,272 of RPTTF; however, Finance is reclassifying \$156,490 to other funds where the remaining \$105,782 will be payable with RPTTF. This item was determined to be an enforceable obligation for the ROPS 13-14B period. However, as the Agency has \$156,940 available in other funds that must be expended prior to requesting RPTTF. Therefore, Finance is approving the use of other fund balances in the amount of \$156,490 and the use of RPTTF in the amount of \$105,782, totaling \$262,272 for Item No. 39.
- Item No. 40 – 2010-11 Pass-Through Payment in the amount of \$436,897. The Agency requests \$436,897 of RPTTF; however, Finance is reclassifying \$426,613 to reserve and \$10,284 to other fund balances. This item was determined to be an enforceable obligation for the ROPS 13-14B period. As the Agency has \$436,897 in reserve balances, Finance is approving the use of reserve balances in the amount of \$426,613 and \$10,284 in other funds, thus totaling \$436,897 for Item No. 40.

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14B form the estimated obligations and actual payments (prior period adjustments) associated with the January through June 2013 period. HSC Section 34186 (a) also specifies that the prior period adjustments self-reported by successor agencies are subject to audit by the CAC and the State Controller. The amount of RPTTF approved in the below table includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

The Agency's maximum approved RPTTF distribution for the reporting period is \$1,441,046 as summarized below:

<b>Approved RPTTF Distribution Amount For the period of January through June 2014</b>	
Total RPTTF requested for non-administrative obligations	3,223,624
Total RPTTF requested for administrative obligations	0
<b>Total RPTTF requested for obligations</b>	<b>\$ 3,223,624</b>
<b>Total RPTTF requested for non-administrative obligations</b>	<b>3,223,624</b>
<u>Denied Item</u>	
Item No. 5	(1,021,330)
<u>Reclassified Items</u>	
Item No. 11	(2,800)
Item No. 39	(156,490)
Item No. 40	(436,897)
<b>Total RPTTF approved for non-administrative obligations</b>	<b>1,606,107</b>
<b>Total RPTTF requested for administrative obligations</b>	<b>0</b>
<u>Reclassified Item</u>	
Item No. 11	2,800
<b>Total RPTTF for administrative obligations</b>	<b>2,800</b>
<b>Total RPTTF allowable for administrative obligations (see Admin Cost Cap table below)</b>	<b>0</b>
<b>Total RPTTF approved for obligations</b>	<b>1,606,107</b>
ROPS III prior period adjustment	(165,061)
<b>Total RPTTF approved for distribution</b>	<b>1,441,046</b>
<b>Administrative Cost Cap Calculation</b>	
Total RPTTF for 13-14A (July through December 2013)	4,171,402
Total RPTTF for 13-14B (January through June 2014)	1,606,107
<b>Total RPTTF for fiscal year 2013-14</b>	<b>\$ 5,777,509</b>
Allowable administrative cost for fiscal year 2013-14 (Greater of 3% or \$250,000)	250,000
Administrative allowance for 13-14A (July through December 2013)	250,000
<b>Allowable RPTTF distribution for administrative cost for ROPS 13-14B</b>	<b>0</b>

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

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

This determination applies only to items where funding was requested for the six month period. 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 HSC section 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 Wendy Griffe, Supervisor or Jenny DeAngelis, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD  
Assistant Program Budget Manager

cc: Ms. Jane McPherson, Accounting Manager, City of Oceanside  
Mr. Jon Baker, Senior Auditor and Controller Manager, San Diego County  
California State Controller's Office