DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR
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November 14, 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

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Oceanside Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14B) to the California Department of Finance (Finance) on September 30, 2013 for the period of January through June 2014. Finance has completed its review of your ROPS 13-14B, which may have included obtaining clarification for various items.

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, which may have included obtaining financial records, Finance determined the Agency possesses funds that are required to be used prior to requesting Redevelopment Property Tax Trust Fund (RPTTF). Pursuant to HSC section 34177 (l) (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 $3,110,126 as of June 30, 2013.

For ROPS 13-14B, the Agency has only $2,199,494 ($3,223,624 RPTFF requested for ROPS 13-14 B - $1,021,330 RPTTF denied for Item No. 5 - $2,800 re-classed to admin for Item No. 11) available to be reclassified to other funds and reserve balances. Therefore, the remaining balance of $1,077,406 ($166,774 other funds + $3,110,126 reserve funds - $2,199,494 other and reserve funds re-classed in ROPS 13-14B) will need to be requested as reserve balance funding on ROPS 14-15A prior to requesting RPTTF. The funding source for the following items are being reclassified to reserve balances and in the amounts specified below:

- Item No. 1 – 2002 Tax Allocation Bonds (TAB) Debt Service Payment in the amount of $415,349. The Agency requests $415,349 RPTTF; however, Finance is reclassifying $415,349 to reserve balances. This item was determined to be an enforceable obligation for the ROPS 13-14B period. Therefore, Finance is approving the use of reserve balances in the amount of $415,349 for Item No. 1.

- Item No. 2 – 2004 TAB Debt Service Payment in the amount of $354,820. The Agency requests $354,820 of RPTTF; however, Finance is reclassifying $354,820 to reserve balances. This item was determined to be an enforceable obligation for the ROPS 13-14B period. Therefore, Finance is approving the use of reserve balances in the amount of $354,820 for Item No. 2.

- Item No. 3 – 2004 TAB Debt Service Payment in the amount of $59,638. The Agency requests $59,638 of RPTTF; however, Finance is reclassifying $59,638 to reserve balances. This item was determined to be an enforceable obligation for the ROPS 13-14B period. Therefore, Finance is approving the use of reserve balances in the amount of $59,638 for Item No. 3.

- Item No. 4 – 2004 TAB Debt Service Payment in the amount of $227,871. The Agency requests $227,871 of RPTTF; however, Finance is reclassifying $227,871 to reserve balances. This item was determined to be an enforceable obligation for the ROPS 13-14B period. Therefore, Finance is approving the use of reserve balances in the amount of $227,871 for Item No. 4.

- 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 $95,498 to reserve balances and $166,774 to other funds. This item was determined to be an enforceable obligation for the ROPS 13-14B period. However, the obligation does not require

payment from property tax revenues and the Agency has $95,498 available in reserve balances and $166,774 available in other funds. Therefore, Finance is approving the use of reserve balances in the amount of $95,498 and the use of other funds in the amount of $166,774, 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 $436,897 to reserve balances. This item was determined to be an enforceable obligation for the ROPS 13-14B period. However, the obligation does not require payment from property tax revenues and the Agency has $436,897 in reserve balances. Therefore, Finance is approving the use of reserve balances in the amount of $436,897 for Item No. 40.

- Item No. 41 – 2010-11 Pass-Through Payment in the amount of $93,757. The Agency requests $93,757 of RPTTF; however, Finance is reclassifying $93,757 to reserve balances. This item was determined to be an enforceable obligation for the ROPS 13-14B period. However, the obligation does not require payment from property tax revenues and the Agency has $93,757 in reserve balances. Therefore, Finance is approving the use of reserve balances in the amount of $93,757 for Item No. 41.

- Item No. 42 – 2010-11 Pass-Through Payment in the amount of $28,258. The Agency requests $28,258 of RPTTF; however, Finance is reclassifying $28,258 to reserve balances. This item was determined to be an enforceable obligation for the ROPS 13-14B period. However, the obligation does not require payment from property tax revenues and the Agency has $28,258 in reserve balances. Therefore, Finance is approving the use of reserve balances in the amount of $28,258 for Item No. 42.

- Item No. 43 – 2010-11 Pass-Through Payment in the amount of $294,601. The Agency requests $294,601 of RPTTF; however, Finance is reclassifying $294,601 to reserve balances. This item was determined to be an enforceable obligation for the ROPS 13-14B period. However, the obligation does not require payment from property tax revenues and the Agency has $294,601 in reserve balances. Therefore, Finance is approving the use of reserve balances in the amount of $294,601 for Item No. 43.

- Item No. 44 – 2010-11 Pass-Through Payment in the amount of $19,778. The Agency requests $19,778 of RPTTF; however, Finance is reclassifying $19,778 to reserve balances. This item was determined to be an enforceable obligation for the ROPS 13-14B period. However, the obligation does not require payment from property tax revenues and the Agency has $19,778 in reserve balances. Therefore, Finance is approving the use of reserve balances in the amount of $19,778 for Item No. 44.

- Item No. 45 – 2010-11 Pass-Through Payment in the amount of $3,822. The Agency requests $3,822 of RPTTF; however, Finance is reclassifying $3,822 to reserve balances. This item was determined to be an enforceable obligation for the ROPS 13-14B period. However, the obligation does not require payment from property tax revenues and the Agency has $3,822 in reserve balances. Therefore, Finance is approving the use of reserve balances in the amount of $3,822 for Item No. 45.

- Item No. 46 – 2010-11 Pass-Through Payment in the amount of $2,431. The Agency requests $2,431 of RPTTF; however, Finance is reclassifying $2,431 to reserve balances. This item was determined to be an enforceable obligation for the ROPS 13-

14B period. However, the obligation does not require payment from property tax revenues and the Agency has $2,431 in reserve balances. Therefore, Finance is approving the use of reserve balances in the amount of $2,431 for Item No. 46.

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.

Except for the items denied in whole or in part as enforceable obligations or for the items that have been reclassified, Finance is not objecting to the remaining items listed on your ROPS 13-14B. If you disagree with the determination with respect to any items on your ROPS 13-14B, you may request a Meet and Confer within five business days of the date of this letter. The Meet and Confer process and guidelines are available at Finance's website below:

http://www.dof.ca.gov/redevelopment/meet_and_confer/

The Agency's maximum approved RPTTF distribution for the reporting period is $0 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2014	
Total RPTTF requested for non-administrative obligations	3,223,624
Total RPTTF requested for administrative obligations	0
Total RPTTF requested for obligations	**$ 3,223,624**
Total RPTTF requested for non-administrative obligations	**3,223,624**
Denied Item	
Item No. 5	(1,021,330)
Reclassified Items	
Item No. 1	(415,349)
Item No. 2	(354,820)
Item No. 3	(59,638)
Item No. 4	(227,871)
Item No. 11	(2,800)
Item No. 39	(262,272)
Item No. 40	(436,897)
Item No. 41	(93,757)
Item No. 42	(28,258)
Item No. 43	(294,601)
Item No. 44	(19,778)
Item No. 45	(3,822)
Item No. 46	(2,431)
Total RPTTF approved for non-administrative obligations	**0**
Total RPTTF requested for administrative obligations	**0**
Reclassified Item	
Item No. 11	2,800
Total RPTTF for administrative obligations	**2,800**
Total RPTTF allowable for administrative obligations (see Admin Cost Cap table below)	**0**
Total RPTTF approved for obligations	**0**
ROPS III prior period adjustment	(165,061)
Total RPTTF approved for distribution	**(165,061)**
Administrative Cost Cap Calculation	
Total RPTTF for 13-14A (July through December 2013)	4,171,402
Total RPTTF for 13-14B (January through June 2014)	0
Total RPTTF for fiscal year 2013-14	**$ 4,171,402**
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
Allowable RPTTF distribution for administrative cost for ROPS 13-14B	**0**

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/.

Absent a Meet and Confer, this is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2014. 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