DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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November 6, 2013

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

Dear Ms. Daphne Hodgson:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Seaside Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14B) to the California Department of Finance (Finance) on September 23, 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 – California Department of Parks and Recreation loan to fund housing projects in the amount of $1,561,337 is not an obligation of the Agency. It is our understanding this agreement entered into on May 9, 2008 is between the California Department of Parks and Recreation and the City of Seaside, and the former redevelopment agency (RDA) is not a party to the contract. Therefore, this line item is not an enforceable obligation and is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.

- Item Nos. 8 and 9 – West Broadway Urban Village project costs totaling $5,411,548, $4,705,548 payable from RPTTF and $706,000 payable from bond proceeds, are not enforceable obligations. It is our understanding that contracts for these line items have not yet been awarded. HSC section 34163 (b) prohibits a RDA from entering into a contract with any entity after June 27, 2011. Additionally, pursuant to HSC section 34191.4 (c), your request to use bond funds for this obligation may be allowable once the Agency receives a Finding of Completion from Finance. Therefore, these line items are not enforceable obligations and are not eligible for RPTTF or bond proceeds funding on this ROPS.

- Item Nos. 11 and 12 – Professional and Property services totaling $40,000 are not enforceable obligations. The Agency was unable to provide sufficient documentation to support the amounts claimed. Therefore, these items are not enforceable obligations and are not eligible for RPTTF funding on this ROPS.

- Item No. 27 – Auto Center Revitalization Project in the amount of $20,000 in bond proceeds is not an enforceable obligation at this time. The Agency was unable to provide sufficient documentation to support the amounts claimed. Furthermore, the Agency has not received a Finding of Completion from Finance. HSC section 34163 (b) prohibits a RDA from entering into a contract with any entity after June 27, 2011. Pursuant to HSC section 34191.4 (c), your request to use bond proceeds for this obligation may be allowable once the Agency receives a Finding of Completion from Finance.

- Claimed administrative costs exceed the allowance by $132,998. HSC section 34171 (b) limits the fiscal year 2013-2014 administrative expenses to three percent of property tax allocated to the Agency or $250,000, whichever is greater. The Monterey County Auditor-Controller's Office distributed $250,000 for administrative costs for the July through December 2013 period, leaving no funds available to fund administrative costs for the January through June 2014 period. Therefore, $132,998 of excess administrative cost is not allowed.

Finance made adjustments to the Prior Period Adjustments form based upon information provided by the Agency during our review to ensure consistency with the funding sources and amounts approved by Finance. HSC Section 34177 (a) (3) states that the Agency can only make payments listed on the ROPS, from the funds listed and authorized by Finance. It is our understanding that the Agency mistakenly reported the amounts for the entire fiscal year 2012-2013 instead of the six month period from January 1, 2013 to June 30, 2013. Therefore, the prior period adjustment was adjusted from $353,324 to $116,615 based on the corrections provided by the Agency.

Pursuant to HSC Section 34186 (a), successor agencies were required to report the estimated obligations and actual payments (prior period adjustments) associated with the January through June 2013 period. The amount of RPTTF approved in the table below 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 table below includes only the prior period adjustment that was self-reported by the Agency.

Except for items denied in whole or in part as enforceable obligations, Finance is not objecting to the remaining items listed on your ROPS 13-14B. 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 $2,632,404 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2014	
Total RPTTF requested for non-administrative obligations	4,461,400
Total RPTTF requested for administrative obligations	132,998
Total RPTTF requested for obligations	**$ 4,594,398**
Total RPTTF requested for non-administrative obligations	**4,461,400**
Denied Items	
Item No. 5	(440,316)
Item No. 8	(1,232,065)
Item No. 11	(20,000)
Item No. 12	(20,000)
	(1,712,381)
Total RPTTF approved for non-administrative obligations	**2,749,019**
Total RPTTF allowable for administrative obligations (see Admin Cost Cap table below)	**-**
Total RPTTF approved for obligations	**2,749,019**
Self-Reported ROPS III prior period adjustment (PPA)	(119,514)
Adjustment to ROPS III PPA	2,899
Total ROPS III PPA	(116,615)
Total RPTTF approved for distribution	**$ 2,632,404**
Administrative Cost Cap Calculation	
Total RPTTF for 13-14A (July through December 2013)	2,511,101
Total RPTTF for 13-14B (January through June 2014)	2,749,019
Less approved unfunded obligations from prior periods	-
Total RPTTF for fiscal year 2013-14	**5,260,120**
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	**-**

Pursuant to HSC section 34177 (l) (1) (E), agencies are required to use all available funding sources prior to RPTTF for payment of enforceable obligations. Beginning with the ROPS 13-14B period, Finance required successor agencies to identify fund balances for various types of funds in its possession. During our ROPS 13-14B review, Finance requested financial records to support the fund balances reported by the Agency; however, Finance was unable to reconcile the financial records to the amounts reported. As a result, Finance will continue to work with the Agency after the ROPS 13-14B review period to properly identify the Agency's fund balances. If it is determined the Agency possesses fund balances that are available to pay approved obligations, the Agency should request the use of these fund balances prior to requesting RPTTF in ROPS 14-15A.

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 Nichelle Thomas, Supervisor or Susana Medina-Jackson, Lead Analyst at (916) 445-1546.

Sincerely,

JUSTYN HOWARD
Assistant Program Budget Manager

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