



November 7, 2013

Mr. John Meyer, Redevelopment and Housing Director
City of Vista
200 Civic Center Drive
Vista, CA 92084

Dear Mr. Meyer:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Vista Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14B) to the California Department of Finance (Finance) on September 26, 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. 65 – City Loan Repayment in the amount of \$1,000,000 is not allowed at this time. The Agency received a Finding of Completion on July 9, 2013. As such, the Agency may place the 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 LMIHF 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 loans 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.

- Item No. 67 – Transfer of 2010 Housing Bond Proceeds in the amount of \$3,737,090 to the Housing Authority of the City of Vista is denied at this time. Pursuant to HSC section 34191.4 (2) (A) bond proceeds in excess of the amounts needed to satisfy approved enforceable obligations shall thereafter be expended in a manner consistent with the

original bond covenants. Although the Agency received a Finding of Completion on July 9, 2013, the proposed projects for which the unencumbered bond proceeds are to be used could not be determined. It appears Item No. 67 transfers the entire amount of unencumbered housing bond proceeds to the Housing Authority without regard to the specific use of the funds. Therefore, it could not be determined whether the expenditure of unencumbered bond proceeds would adhere to the bond covenants and preserve the tax-exempt status of the outstanding 2010 Housing Tax Allocation Bonds. In addition, it is not evident the requirements outlined to HSC section 34176 (g) (1) (B) have been met. Once the proceeds are earmarked for specific projects, the Agency should request funding on a future ROPS.

- Claimed Administrative Costs exceed the allowance by \$58,476. 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 San Diego County Auditor-Controller (CAC) distributed \$223,650 for administrative costs for the July through December 2013 period, thus leaving a balance of \$112,024 available for the January through June 2013 period. Although \$170,500 is claimed for administrative cost, only \$112,024 is available pursuant to the cap. Therefore, \$58,476 of excess administrative cost is not allowed.

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 Redevelopment Property Tax Trust Fund (RPTTF) approved in the table below 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 \$4,425,794 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2014	
Total RPTTF requested for non-administrative obligations	5,510,324
Total RPTTF requested for administrative obligations	170,500
Total RPTTF requested for obligations	\$ 5,680,824
Total RPTTF requested for non-administrative obligations	\$ 5,510,324
<u>Denied Item</u>	
Item No. 65 City Loan Repayment	(1,000,000)
Total RPTTF approved for non-administrative obligations	4,510,324
Total RPTTF requested for non-administrative obligations	170,500
Total RPTTF approved for administrative obligations (see Admin Cost Cap table below)	112,024
Total RPTTF approved for obligations	\$ 4,622,348
ROPS III prior period adjustment	(196,554)
Total RPTTF approved for distribution	\$ 4,425,794
Administrative Cost Cap Calculation	
Total RPTTF for 13-14A (July through December 2013)	6,678,813
Total RPTTF for 13-14B (January through June 2014)	4,510,324
Total RPTTF for fiscal year 2013-14	\$ 11,189,137
Allowable administrative cost for fiscal year 2013-14 (Greater of 3% or \$250,000)	335,674
Administrative allowance for 13-14A (July through December 2013)	223,650
Allowable RPTTF distribution for administrative cost for ROPS 13-14B	\$ 112,024

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: Mr. Jonathon Stone, Assistant City Attorney, City of Vista
Mr. Jon Baker, Senior Auditor and Controller Manager, San Diego County
California State Controller's Office