



December 17, 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

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated November 7, 2013. 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 Finance on September 26, 2013, for the period of January through June 2014. Finance issued a ROPS determination letter on November 7, 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 November 25, 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 items being disputed.

- Prior Period Adjustment in the amount of \$196,554. The San Diego County Auditor Controller (CAC) identified that the Agency made a payment of \$196,554 in Redevelopment Property Tax Trust Fund (RPTTF) funding during the January through June 2013 (ROPS III) period that was not approved by Finance on the ROPS III. The Agency stated they did not request the payment on ROPS III as they did not anticipate the making the payment as required for the North County Square Owner Participation Agreement/Disposition and Development Agreement. HSC 34177 (a) (3) states that only those payments listed in the ROPS may be made by the Agency from the funds specified. Therefore, the Agency did not have the authority to make this payment and Finance continues to make this prior period adjustment.

However, during the Meet and Confer, the Agency provided Oversight Board Resolution No. 2013-30 which requested an increase in the amount of RPTTF for Item No. 13 from \$350,000 to \$546,554. The Oversight requested this increase in order to fund the \$196,554 enforceable payment made during the ROPS III period for the enforceable obligation. Therefore, Finance approves an additional \$196,445 in RPTTF for Item No.13 during the ROPS 13/14B period. The total approved RPTTF amount for Item No. 13 is \$546,554.

Should any further deficits occur in the future, HSC provides successor agencies with various methods to address short term cash flow issues. These may include requesting a loan from the city pursuant to HSC section 34173 (h), requesting the accumulation of reserves on the ROPS when a future balloon or uneven payment is expected pursuant to HSC section 34177 (d) (1) (A), or subordinating pass-through payments pursuant to HSC section 34183 (b). The Agency should seek counsel from their oversight board to determine the solution most appropriate for their situation if a deficiency were to occur.

In addition, per Finance's letter dated November 7, 2013, we continue to deny the following items not contested by the Agency during the Meet and Confer:

- 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 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 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 \$52,579. 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 CAC distributed \$223,650 for administrative costs for the July through December 2013 period, thus leaving a balance of \$117,921 available for the January through June 2013 period.

Although \$170,500 is claimed for administrative cost, only \$117,921 is available pursuant to the cap. Therefore, \$52,579 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. The Agency's maximum approved RPTTF distribution for the reporting period is \$4,628,245 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2014	
Total RPTTF requested for non-administrative obligations	5,706,878
Total RPTTF requested for administrative obligations	170,500
Total RPTTF requested for obligations	\$ 5,877,378
Total RPTTF requested for non-administrative obligations	\$ 5,706,878
<u>Denied Item</u>	
Item No. 65 City Loan Repayment	(1,000,000)
Total RPTTF approved for non-administrative obligations	4,706,878
Total RPTTF requested for non-administrative obligations	170,500
Total RPTTF approved for administrative obligations (see Admin Cost Cap table below)	117,921
Total RPTTF approved for obligations	\$ 4,824,799
ROPS III prior period adjustment	(196,554)
Total RPTTF approved for distribution	\$ 4,628,245
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)	4,706,878
Total RPTTF for fiscal year 2013-14	\$ 11,385,691
Allowable administrative cost for fiscal year 2013-14 (Greater of 3% or \$250,000)	341,571
Administrative allowance for 13-14A (July through December 2013)	223,650
Allowable RPTTF distribution for administrative cost for ROPS 13-14B	\$ 117,921

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 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 section 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 Evelyn Suess, Dispute Resolution Supervisor or Derk Symons, 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