



May 16, 2014

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

Dear Ms. Hodgson:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 14, 2014. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Seaside Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15A) to Finance on February 28, 2014, for the period of July through December 2014. Finance issued a ROPS determination letter on April 14, 2014. 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 May 1, 2014.

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.

- Item No. 9 – West Broadway Urban Village totaling \$706,000 from Bond Proceeds. Finance no longer denies this item. Finance initially denied this item as a contract had not yet been awarded and HSC section 34163 (b) prohibits a redevelopment agency (RDA) from entering into a contract with any entity after June 27, 2011. During the Meet and Confer process, the Agency contended that they have received their Finding of Completion on March 28, 2014. Additionally, the Agency provided a breakdown for the estimated costs to be funded from the 2003 Tax Allocation Bonds. Therefore, this item is an excess bond proceeds obligation and is eligible Bond Proceeds funding on the ROPS.
- Item No. 35 – Development and Disposition Agreement (DDA) Amendment in the amount of \$20,000. Finance no longer denies this item. Finance initially denied this item as the Agency was unable to provide documentation to support the amounts claimed. During the Meet and Confer process, the Agency provided clarification that pursuant to the DDA the Agency pays the vendors and then bills the developer for full reimbursement. Based on a review of documents provided, Finance verified that this is the payment structure agreed to by the former RDA and the developer. Therefore, this item is an enforceable obligation and is eligible for Other Funds.

- Item Nos. 36 through 38 – Unfunded Prior-year Pass-Through Payment Obligations totaling \$366,785. Finance no longer denies these items. The Agency provided Memorandum prepared by a consultant to support the requested amount. However, Finance initially denied this item as the Agency has not shown that the requested payments are binding. During the Meet and Confer process, the Agency contended that these items are AB 1290 pass through payments that were not made by the Monterey County Auditor Controller (CAC). The Agency provided supporting documents showing the amounts owed, the amounts paid by the CAC, and the remaining balance due. Therefore, these items are enforceable obligations and are eligible for funding on this ROPS.

In addition, per Finance's letter dated April 14, 2014, we continue to deny the following item not contested by the Agency during the Meet and Confer:

- Item No. 8 – West Broadway Urban Village/Library totaling \$4,705,548 from the Redevelopment Property Tax Trust Fund (RPTTF). Finance continues to deny this item. It is our understanding that no contracts were awarded for this line item and HSC section 34163 (b) prohibits RDAs from entering into a contract with any entity after June 27, 2011. Therefore, this item is not an enforceable obligation and is not eligible for RPTTF funding.

During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should 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 provided financial records that displayed available Reserve Balances in the amount of \$300,000 and Other Funds in the amount of \$255,459 totaling \$555,459.

Therefore, with the Agency's concurrence, the funding source for the following item has been reclassified to Reserve Balances and Other Funds and in the amounts specified below:

- Item No. 4 – Loan to fund housing project in the amount of \$3,515,109. The Agency requests \$300,000 of RPTTF; however, Finance is reclassifying \$300,000 to Reserve Balances. This item is an enforceable obligation for the ROPS 14-15A period. However, the obligation does not require payment from property tax revenues and the Agency has \$300,000 in available Reserve Balances. Therefore, Finance is approving the use of Reserve Balances in the amount of \$300,000.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 14-15A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2013 period. The amount of RPTTF approved in the table below includes the prior period adjustment self-reported by the Agency. HSC section 34186 (a) also specifies prior period adjustments self-reported by successor agencies are subject to audit by the 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 only includes the prior period adjustment self-reported by the Agency.

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 14-15A. The Agency's maximum approved RPTTF distribution for the reporting period is \$2,548,663 as summarized below:

<b>Approved RPTTF Distribution</b>	
<b>For the period of July through December 2014</b>	
Total RPTTF requested for non-administrative obligations	3,989,400
Total RPTTF requested for administrative obligations	125,149
<b>Total RPTTF requested for obligations</b>	<b>\$ 4,114,549</b>
<b>Total RPTTF requested for non-administrative obligations</b>	<b>3,989,400</b>
<u>Denied Items</u>	
Item No. 8	(1,232,065)
<b>Total RPTTF for non-administrative obligations</b>	<b>2,757,335</b>
<u>Cash Balances - Item reclassified to other funding sources</u>	
Item No. 4	(300,000)
	(300,000)
<b>Total RPTTF authorized for non-administrative obligations</b>	<b>\$ 2,457,335</b>
<b>Total RPTTF requested for administrative obligations</b>	<b>125,149</b>
<b>Total RPTTF authorized for administrative obligations</b>	<b>\$ 125,149</b>
<b>Total RPTTF authorized for obligations</b>	<b>\$ 2,582,484</b>
ROPS 13-14A prior period adjustment	(33,821)
<b>Total RPTTF approved for distribution</b>	<b>\$ 2,548,663</b>

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. During the ROPS 14-15A review, Finance requested financial records to support the cash 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 14-15A review period to properly identify the Agency's cash balances. If it is determined the Agency possesses cash balances that are available to pay approved obligations, the Agency should request the use of these cash balances prior to requesting RPTTF in ROPS 14-15B.

Please refer to the ROPS 14-15A schedule that was used to calculate the approved RPTTF amount:

<http://www.dof.ca.gov/redevelopment/ROPS>

This is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2014. This determination only applies 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 Mary Halterman, 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