

December 17, 2014

Mr. Greg Wade, Deputy Director
City of Imperial Beach
825 Imperial Beach Boulevard
Imperial Beach, CA 91932

Dear Mr. Wade:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated October 24, 2014. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City Imperial Beach Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15B) to Finance on September 11, 2014, for the period of January through June 2015. Finance issued a ROPS determination letter on October 24, 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 November 5, 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. 11 – Finance previously determined that claimed administrative costs exceeded the \$250,000 allowance by \$75,000. Finance no longer believes this adjustment is necessary. The San Diego County Auditor-Controller's Office (CAC) distributed \$200,000 for administrative costs for the July through December 2014 (ROPS 14-15A) period included \$75,000 for housing successor administrative costs (under Item No. 38) pursuant to HSC section 34171 (p). We note that the Agency is not eligible to receive the housing successor administrative cost allowance as further discussed below; regardless, the item was not denied in our April 16, 2014 letter for the July through December 2014 (ROPS 14-15A) period. Therefore, we have determined that the amounts distributed for ROPS 14-15A for housing successor administration should not be considered in calculating the administrative cost cap for fiscal year 2014-15 pursuant to HSC section 34171 (b). The Agency is permitted to receive the full \$125,000 for administrative costs as requested on ROPS 14-15B.
- Item Nos. 22 – 9th & Palm Avenue Real Estate Management Costs in the amount of \$60,000 payable from RPTTF. Finance no longer denies this item. The Agency's ROPS notes the amount requested is for costs to maintain assets prior to disposition. Additional review during the meet and confer indicate that the costs are associated with the disposal of assets. The Agency provided support for the estimated costs for ROPS

14-15B. The costs include attorney fees and staff time associated with carrying out the purchase and sale agreement approved by Finance pursuant to Oversight Board Resolution OB13-27 and the Long Range Property Management Plan.

- Item No. 38 – Housing Authority Administrative Cost Allowance in the amount of \$75,000 is denied. Finance continues to deny this item. Pursuant to HSC section 34171 (p), the housing entity administrative cost allowance is applicable only in cases where the city, county, or city and county that authorized the creation of the redevelopment agency (RDA) elected to not assume the housing functions. Because the housing successor to the former redevelopment agency of the City of Imperial Beach (City) is the City-formed Housing Authority (Authority) and the Authority operates under the control of the City, the Authority is considered the City under Dissolution Law (ABx1 26 and AB 1484).

Further, pursuant to HSC section 34167.10 (a), the definition of “city” includes, but is not limited to, any reporting entity of the city for purposes of its comprehensive annual financial report (CAFR), any component unit of the city, or any entity controlled by the city or for which the city is financially responsible or accountable. The Authority is included in the City’s CAFR, which identifies the Authority as a component unit of the City and states that the City is financially accountable for the component units.

Although the Authority is a separate legal entity from the City, HSC section 34167.10 (c) states that it shall not be relevant that the entity is formed as a separate legal entity. It should also be noted that HSC section 34167.10 (c) goes on to state that “the provisions of this section are declarative of existing law as the entities described herein are and were intended to be included within the requirements of this part [Part 1.8] and Part 1.85...and any attempt to determine otherwise would thwart the intent of these two parts.” Therefore, based on our review, the City, by way of the Authority, elected to retain the housing functions pursuant to HSC section 34176 (a) and is not eligible for \$75,000 of housing entity administrative allowance.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 14-15B form the estimated obligations and actual payments (prior period adjustments) associated with the January through June 2014 period. HSC section 34186 (a) also specifies prior period adjustments self-reported by successor agencies are subject to audit by the county auditor-controller (CAC) and the State Controller. Proposed CAC adjustments were not received in time for inclusion in Finance’s October 24, 2014 letter; therefore, the amount of RPTTF approved reflected the prior period adjustment self-reported by the Agency. Finance has since received the CAC’s audit of the prior period adjustment. Therefore, the amount of 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, Finance is not objecting to the remaining items listed on your ROPS 14-15B. The Agency’s maximum approved Redevelopment Property Tax Trust Funds (RPTTF) distribution for the reporting period is \$2,264,403 as summarized in the Approved RPTTF Distribution Table on the following page:

Approved RPTTF Distribution For the period of January through June 2015	
Total RPTTF requested for non-administrative obligations	2,247,518
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations on ROPS	\$ 2,372,518
Total RPTTF requested for non-administrative obligations	2,247,518
<u>Denied Item</u>	
Item No. 38	(75,000)
	(75,000)
Total RPTTF authorized for non-administrative obligations	\$ 2,172,518
Total RPTTF requested for administrative obligations	125,000
Total RPTTF authorized for administrative obligations	\$ 125,000
Total RPTTF authorized for obligations	\$ 2,297,518
ROPS 13-14B prior period adjustment	(33,115)
Total RPTTF approved for distribution	\$ 2,264,403

Please refer to the ROPS 14-15B 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 January 1 through June 30, 2015. 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 the 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 agency in the RPTTF.

Pursuant to HSC section 34177 (a) (3), only those payments listed on an approved ROPS may be made by the successor agency from the funds specified in the ROPS. However, if for whatever reason the Agency needs to make payments for approved obligations from another funding source, HSC section 34177 (a) (4) requires the Agency to first obtain oversight board approval.

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.

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Please direct inquiries to Evelyn Suess, Dispute Resolution Supervisor, or Danielle Brandon, Analyst, at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Acting Program Budget Manager

cc: Mr. Andy Hall, Executive Director, City of Imperial Beach
Mr. Jon Baker, Senior Auditor and Controller Manager, San Diego County
California State Controller's Office