



December 17, 2014

Ms. Michelle Skaggs-Lawrence, Deputy City Manager
City of Oceanside
300 North Coast Highway
Oceanside, CA 92054

Dear Ms. Skaggs-Lawrence:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated October 9, 2014. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Oceanside Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15B) to Finance on August 27, 2014, for the period of January through June 2015. Finance issued a ROPS determination letter on October 9, 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 October 22, 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.

- During our initial review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should be used prior to requesting Redevelopment Property Tax Trust Fund (RPTTF) funding. Pursuant to HSC section 34177 (l) (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 Other Funds balances totaling \$421,414.

During the Meet and Confer process, the Agency contended that \$334,904 of the Other Funds balances identified was a refund from a bond refunding that should instead be included in the Bond Proceeds balances and should not be available for use on other items. Based on information provided by the Agency's bond counsel, the refund consists of bond proceeds and is restricted for use on capital projects only. Therefore, the Bonds Proceeds balance should be increased by \$334,904.

As a result, only \$86,510 of Other Funds is available and the funding source for the following item has been reclassified to Other Funds and in the amount specified below:

- Item No. 1 – 2002 Tax Allocation Bonds. The Agency requests \$388,850 of RPTTF; however, Finance is reclassifying \$86,510 to Other Funds. This item is an enforceable obligation for the ROPS 14-15B period. However, the obligation does not require payment from property tax revenues and the Agency has \$86,510 in available Other Funds. Therefore, Finance is approving RPTTF in the amount of \$302,340 and the use of Other Funds in the amount of \$86,510.

In addition, per Finance's letter dated October 9, 2014, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

- Item Nos. 8 through 10 – Contract payments totaling \$95,000 are denied. The Agency provided contracts for each obligation; however, Finance did not receive a history of payments for these contracts. Therefore, it is unclear if there are any remaining amounts left to be expended on these contracts. With the Agency's concurrence, these items are denied and may be included on a future ROPS for further review at that time.
- Item No. 28 – Project Oversight in the amount of \$176,100 using RPTTF is partially denied. The Agency was able to provide supporting documentation for \$113,756. Therefore, Finance is approving the amount of \$113,756 and denying the remaining \$62,344 in RPTTF. In addition, pursuant to the Finance issued OB Resolution No. 13-R0585-OOB determination letter dated October 9, 2013, this obligation is to be funded using pre-2011 bond proceeds, not RPTTF. Therefore, with the Agency's concurrence, \$113,756 is being reclassified from RPTTF to bond proceeds.
- Item No. 29 – Project Oversight in the amount of \$142,705 is being reclassified from RPTTF to Bond Proceeds. Pursuant to the Finance issued OB Resolution No. 13-R0585-OOB determination letter dated October 9, 2013, this obligation is to be funded using pre-2011 bond proceeds, not RPTTF. Therefore, with the Agency's concurrence, \$142,705 is reclassified from RPTTF to bond proceeds.

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. The amount of RPTTF approved in the table below reflects 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 county auditor-controller (CAC) and the State Controller. Proposed CAC adjustments were not received in time for inclusion in this letter; therefore, the amount of RPTTF approved in the table below only reflects the prior period adjustment self-reported by the Agency.

In addition, Finance noted on the ROPS 13-14B Prior Period Adjustment worksheet, the Agency's expenditures exceeded Finance's authorization for the following items:

- Item No. 8 – Redevelopment Bonds/Stradling Yocca exceeded the amount authorized by \$14,967 in Bond Proceeds.
- Item No. 9 – Beach Resort Negotiations/Keyser Marston exceeded the amount authorized by \$11,084 in Bond Proceeds.
- Item No. 15 – Drainage Improvements exceeded the amount authorized by \$5,256 in Bond Proceeds.

Per HSC section 34177 (a) (3), only those payments listed on ROPS may be made by the Agency from the funds specified on the ROPS. However, these items were determined to be enforceable obligations for the ROPS 13-14B period. Therefore, Finance is increasing the Agency's authorization for the ROPS 14-15B period to ensure that authorization is consistent with expenditures for the approved enforceable obligations. As these Bond Proceeds were previously expended, the increase in authorization should not result in increased expenditures, but should merely allow the Agency to reconcile actual expenditures to the authorization.

HSC sections 34177 (a) (4) and 34173 (h) provide mechanisms when Agency payments must exceed the amounts authorized by Finance. Please ensure the proper expenditure authority is received from your Oversight Board and Finance prior to making payments on enforceable obligations.

Except for the items denied in whole or in part or items that have been reclassified, Finance is not objecting to the remaining items listed on your ROPS 14-15B. The Agency's maximum approved RPTTF distribution for the reporting period is \$910,293 as summarized in the Approved RPTTF Distribution Table below:

Approved RPTTF Distribution For the period of January through June 2015	
Total RPTTF requested for non-administrative obligations	1,413,039
Total RPTTF requested for administrative obligations	0
Total RPTTF requested for obligations on ROPS	\$ 1,413,039
Total RPTTF requested for non-administrative obligations	1,413,039
<u>Denied Items</u>	
Item No. 8	(20,000)
Item No. 9	(30,000)
Item No. 10	(45,000)
Item No. 28 - Partially Denied	(62,344)
	(157,344)
<u>Reclassified Items</u>	
Item No. 1	(86,510)
Item No. 28	(113,756)
Item No. 29	(142,705)
	(342,971)
Total RPTTF authorized for non-administrative obligations	\$ 912,724
Total RPTTF requested for administrative obligations	0
Total RPTTF authorized for administrative obligations	0
Total RPTTF authorized for obligations	\$ 912,724
ROPS 13-14B prior period adjustment	(2,431)
Total RPTTF approved for distribution	\$ 910,293

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.

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

Sincerely,



JUSTYN HOWARD
Acting Program Budget Manager

cc: Ms. Jane McPherson, Accounting Manager, City of Oceanside
Mr. Jon Baker, Senior Auditor and Controller Manager, San Diego County
California State Controller's Office