

December 17, 2014

Ms. Sandra, McClellan, Assistant Finance Director  
City of Pacifica  
170 Santa Maria Avenue  
Pacifica, CA 94044

Dear Ms. McClellan:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated November 17, 2014. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Pacifica Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15B) to Finance on October 3, 2014, for the period of January through June 2015. Finance issued a ROPS determination letter on November 17, 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 December 4, 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 original review, which may have included obtaining financial records, Finance determined the Agency possesses \$24,730 in reserve balances that should be used prior to requesting Redevelopment Property Tax Trust Fund (RPTTF). 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. During the meet and confer process, the Agency provided additional information that these funds may have been used to make debt service payments in excess of the amounts listed on various previous ROPS. Therefore, Finance is reserving the reclassification of items to these reserve balances until the cash balance has been fully reconciled. It is our understanding that the Agency will be working with Finance and the County Auditor-Controller (CAC) in the upcoming ROPS 14-15B period to reconcile the cash balances. To the extent the reconciliation demonstrates that reserve balances exist, the Agency should request the use of these funds before requesting RPTTF.

Additionally, pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 14-15B form the estimated obligations and actual payments or prior period adjustments (PPA) associated with the January through June 2014 period. HSC section 34186 (a) also specifies PPA self-reported by successor agencies are subject to

CAC and the State Controller. The amount of RPTTF previously approved was reduced by \$47,545 as a result of the CAC's review of the prior period adjustment. However, based on additional information provided to the CAC and Finance during the meet and confer process, the CAC has determined that taking the prior period adjustment at this time would harm the Agency with regard to debt service payments. Therefore, the CAC reversed its previous determination and reduced the prior period adjustment to \$0. We note that the CAC also reserves the authority to assess future RPTTF distributions for the prior period adjustment foregone during this period.

In addition, per Finance's letter dated November 17, 2014, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

- Item No. 9 – RPTTF Shortfall in the amount of \$6,374. This item is reclassified from RPTTF funding to Administrative Allowance RPTTF. During our review, Finance determined that the Agency's request does not pertain to an RPTTF shortfall; rather, it pertains to an increase in the Agency's estimated fiscal year 2014-15 administrative expenditures. The increase in the Agency's estimate does not cause the Agency to exceed their 2014-15 administrative allowance. Therefore, the Agency's request is permissible. However, Finance is reclassifying Item No. 9 from RPTTF to Administrative Allowance RPTTF in the amount of \$6,374 to properly reflect the requested use of funds.

Except for the 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 for the reporting period is \$123,941 as summarized in the Approved RPTTF Distribution table below:

<b>Approved RPTTF Distribution For the period of January through June 2015</b>	
Total RPTTF requested for non-administrative obligations	95,941
Total RPTTF requested for administrative obligations	28,000
<b>Total RPTTF requested for obligations on ROPS</b>	<b>\$ 123,941</b>
<b>Total RPTTF requested for non-administrative obligations</b>	<b>95,941</b>
<u>Reclassified Item</u>	
Item No. 9	(6,374)
<b>Total RPTTF authorized for non-administrative obligations</b>	<b>\$ 89,567</b>
<b>Total RPTTF requested for administrative obligations</b>	<b>28,000</b>
<u>Reclassified Item</u>	
Item No. 9	6,374
<b>Total RPTTF authorized for administrative obligations</b>	<b>\$ 34,374</b>
<b>Total RPTTF authorized for obligations</b>	<b>\$ 123,941</b>
ROPS 13-14B PPA	-
<b>Total RPTTF approved for distribution</b>	<b>\$ 123,941</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 14-15B review, Finance requested financial records to support the cash balances reported by the Agency; however, the Agency was unable to support the amounts reported. As a result,

Finance will continue to work with the Agency after the ROPS 14-15B review period to properly identify the Agency's cash balances.

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 Danielle Brandon, Analyst, at (916) 445-1546.

Sincerely,



JUSTYN HOWARD  
Acting Program Budget Manager

cc: Ms. Lorie Tinfow, City Manager, City of Pacifica  
Mr. Bob Adler, Auditor-Controller, San Mateo County  
California State Controller's Office