



November 17, 2014

Ms. Laura Rocha, Finance Director
 City of San Marcos
 1 Civic Center Drive
 San Marcos, CA 92069

Dear Ms. Rocha:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of San Marcos Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15B) to the California Department of Finance (Finance) on October 3, 2014 for the period of January 1 through June 30, 2015. Finance has completed its review of your ROPS 14-15B, which may have included obtaining clarification for various items.

Based on a sample of line items reviewed and application of the law, Finance made the following determinations as they relate to the ROPS 13-14B Prior Period Adjustment (PPA) worksheet:

- Agency Expenditures from Other Funds exceeded Finance authorization for the ROPS 13-14B period in the amount of \$33,736, see table below:

Item No.	Project Name/Debt Obligation	ROPS 13-14B Amount of Other Funds Authorized by Finance	Agency Reported Amount of Actual Costs	Difference
48	Agency Administrative Services	\$ 96,033	\$ 95,074	\$ 959
49	Contract for Attorney Services	0	3,383	(3,383)
50	Contract for Consulting Services	233	7,515	(7,282)
51	Agency Administration/Operations	96,033	95,074	959
52	Contract for Attorney Services	0	3,383	(3,383)
53	Contract for Consulting Services	0	7,515	(7,515)

Item No.	Project Name/Debt Obligation	ROPS 13-14B Amount of Other Funds Authorized by Finance	Agency Reported Amount of Actual Costs	Difference
54	Agency Administration/Operations	96,033	95,074	959
55	Contract for Attorney Services	0	3,383	(3,383)
56	Contract for Consulting Services	0	7,515	(7,515)
57	Agency Administration/Operations	98,820	95,074	3,746
58	Contract for Attorney Services	0	3,383	(3,383)
59	Contract for Consulting Services	3,000	7,515	(4,515)
Total		\$ 390,152	\$ 423,888	\$ (33,736)

During the ROPS 13-14B review it was noted that Agency had available Other Funds balances and, therefore, the funding source for multiple items were reclassified from Redevelopment Property Tax Trust Fund (RPTTF) Admin to Other Funds. However, as reflected by the Agency's accounting records, the Agency currently has a negative cash balance because they spent more Other Funds than they had available. Therefore, Finance is unable to increase authority for Other Funds to cover the excess expenditures.

Since these expenditures are associated with the Agency's administrative costs, Finance is increasing your ROPS 14-15B RPTTF Admin by \$4,422 (\$425,884 to \$430,306), the maximum allowable for the fiscal year 2014-15. This action will partially offset and provide funding for the Agency's administrative expenses which were underfunded in ROPS 13-14B. The \$4,422 was added to Item No. 48, increasing the authorization from \$104,023 to \$108,445 of RPTTF Admin. Therefore, Other Funds in the amount of \$29,314 (\$33,736 - \$4,422) is not allowed.

- Agency Expenditures from Bond Proceeds Exceeded Finance Authorization for the ROPS 13-14B period in the amount of \$3,714,682, see table below:

Item No.	Project Name/Debt Obligation	ROPS 13-14B Amount of Bond Proceeds Authorized by Finance	Agency Reported Amount of Actual Costs	Difference
67	Discovery Street Flood Wall	\$ 0	\$ 270,789	\$ 270,789
73	San Marcos Elementary School	221,072	299,013	77,941
80	Grand Avenue Circulation Improvements	0	384,601	384,601
81	San Marcos High School Frontage at Knight's Realm Intersection	72,723	404,537	331,814

Item No.	Project Name/Debt Obligation	ROPS 13-14B Amount of Bond Proceeds Authorized by Finance	Agency Reported Amount of Actual Costs	Difference
87	South Sante Fe - Smilax to Bosstick	0	3,621	3,621
88	Downtown Promenade and Greenway	0	31,340	31,340
98	Creek Environmental Habitat Establishment and Mitigation	1,800,000	4,155,525	2,355,525
99	San Marcos Creek Specific Plan - Creekside Drive Improvements	50,000	309,051	259,051
Total		\$ 2,143,795	\$ 5,858,477	\$3,714,682

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 14-15B period. Therefore, Finance is increasing the Agency's authorization for the ROPS 14-15B 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 for the current ROPS period, but should 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.

- Review of ROPS 14-15B included the Agency's Oversight Board Resolution No. OBRDA 2014-024 approving the transfer of pre-2011 bond proceeds to the City of San Marcos. The Agency received a Finding of Completion on May 1, 2013. Therefore, Finance approves the agreement, listed as Item No. 137, for the total amount of \$40,114,539.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 14-15B form the estimated obligations and actual payments (PPAs) associated with the January through June 2014 period. HSC section 34186 (a) also specifies PPAs self-reported by successor agencies are subject to audit by the county auditor-controller (CAC) and the State Controller. The amount of RPTTF approved in the table below includes the PPA resulting from the CAC's review of the Agency's self-reported PPA.

The Agency's maximum approved RPTTF distribution for the reporting period is \$21,397,273 as summarized in the Approved RPTTF Distribution Table on the next page:

Approved RPTTF Distribution	
For the period of January through June 2015	
Total RPTTF requested for non-administrative obligations	20,968,349
Total RPTTF requested for administrative obligations	425,884
Total RPTTF requested for obligations on ROPS	\$ 21,394,233
RPTTF adjustment to administrative obligations	4,422
Total RPTTF adjustments	4,422
Total RPTTF authorized for non-administrative obligations	20,968,349
Total RPTTF authorized for administrative obligations	430,306
Total RPTTF authorized for obligations	\$ 21,398,655
ROPS 13-14B PPA	(1,382)
Total RPTTF approved for distribution	\$ 21,397,273

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. 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 15-16A.

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

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

Absent a Meet and Confer, 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.

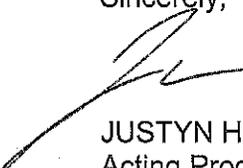
Pursuant to HSC section 34177 (a) (3), only those payments listed on an approved ROPS may be made by the successor agency from the funds specified in the ROPS. However, if for whatever reason the Agency needs to make payments for approved obligations from another

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 Wendy Griffe, Supervisor or Jenny DeAngelis, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Acting Program Budget Manager

cc: Ms. Lydia Romero, Deputy City Manager, City of San Marcos
Mr. Juan Perez, Senior Auditor and Controller Manager, San Diego County
California State Controller's Office