

December 17, 2014

Mr. Kelly Morgan, Interim City Administrator
Sand City
1 Sylvan Park
Sand City, CA 93955

Dear Mr. Morgan:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated November 14, 2014. Pursuant to Health and Safety Code (HSC) section 34177 (m), the Sand City Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15B) to Finance on October 01, 2014, for the period of January through June 2015. Finance issued a ROPS determination letter on November 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 December 02, 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.

- Prior Period Adjustment totaling \$59,045 is reduced to \$12,556. During the meet and confer, the Agency concurred that the amount spent towards administrative costs in the January through June 2014 period (ROPS 13-14B) exceeded the approved amount by \$59,0145; however, the Agency claimed the actual amount expended for administrative costs during the fiscal year did not exceed the fiscal year allowance of \$250,000. The Agency further claimed that the actual amount paid towards administrative costs during the July through December 2013 period (ROPS 13-14A) were less than previously reported. Based on our review of the documentation, the Agency actually spent \$113,070 towards administrative costs during ROPS 13-14A, not \$184,671 as previously reported. In addition, the Agency was authorized and distributed \$65,329 for the administrative costs in the ROPS 13-14B period but spent \$124,374. Therefore, Finance has determined that total expended towards administrative costs for the fiscal year was \$237,444 (\$113,070 + \$124,374), which is within the fiscal year's allowance. Because the total funding distributed for administrative costs in the fiscal year was \$250,000, the prior period adjustment should be \$12,556 (\$250,000 - \$237,444). Therefore, Finance's decreased the adjustment to the Agency's self-reported prior period adjustment to \$12,556.

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

Based on our review, we are approving all of the items listed on your ROPS 14-15B at this time. Although the administrative costs claimed are within the fiscal year administrative cap pursuant to HSC section 34171 (b), Finance notes the oversight board has approved an amount that appears excessive, given the number and nature of the obligations listed on the ROPS. HSC section 34179 (i) requires the oversight board to exercise a fiduciary duty to the taxing entities. Therefore, Finance encourages the oversight board to apply adequate oversight when evaluating the administrative resources required to successfully wind-down the Agency.

During our 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). 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. Based on the Agency's self-reported Other Funds balance, it is our understanding that there is \$3,265 available to be used.

Therefore, the funding source for the following item has been reclassified to Other Funds and in the amount specified below:

Item No. 3 – Administration Costs. The Agency requests \$200,000 from RPTTF; however, Finance is reclassifying \$3,265 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 \$3,265 in available Other Funds. Therefore, Finance is approving RPTTF in the amount of \$196,735 and the use of Other Funds in the amount of \$3,265, totaling \$200,000.

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 review 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, as adjusted by Finance as follow:

Except for the item denied in whole or in part or for the item that has 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 \$707,508 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	523,329
Total RPTTF requested for administrative obligations	200,000
Total RPTTF requested for obligations on ROPS	\$ 723,329
Total RPTTF requested for non-administrative obligations	523,329
Total RPTTF authorized for non-administrative obligations	\$ 523,329
Total RPTTF requested for administrative obligations	200,000
<u>Reclassified Item</u>	
Item No. 3	(3,265)
Total RPTTF authorized for administrative obligations	\$ 196,735
Total RPTTF authorized for obligations	\$ 720,064
Self-reported ROPS 13-14B prior period adjustment (PPA)	0
Finance adjustment to ROPS 13-14B PPA	(12,556)
Total ROPS 13-14B PPA	(12,556)
Total RPTTF approved for distribution	\$ 707,508

Pursuant to HSC section 34177 (I) (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. The beginning balances for Reserve Balances and Other Funds could not be supported by the Agency's financial records. 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>

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. Linda Scholink, Director of Administrative Services, Sand City
Ms. Julie Aguero, Auditor Controller Analyst II, Monterey County
California State Controller's Office