



October 31, 2014

Ms. Tina Rodriguez, Successor Agency Administrator
City of Santa Monica
1901 Main Street, Suite B
Santa Monica, CA 90405

Dear Ms. Rodriguez:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Santa Monica Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15B) to the California Department of Finance (Finance) on September 18, 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:

- Claimed administrative costs exceed the allowance by \$12,360. HSC section 34171 (b) limits fiscal year 14-15 administrative expenses to three percent of property tax allocated to the successor agency or \$250,000, whichever is greater. As a result, the Agency is eligible for \$824,923 in administrative expenses. The Los Angeles Auditor-Controller's Office distributed \$455,529 in administrative costs for the July through December 2014 period, thus leaving a balance of \$369,394 available for the January through June 2015 period. Although \$369,754 is claimed for administrative costs, Item No. 31 for Litigation Service Fees in the amount of \$12,000 is considered an administrative expense and should be counted toward the cap. Therefore, \$12,360 of excess administrative costs is not allowed.

During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should be used prior to requesting 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. The Agency provided financial records that displayed available Other Funds totaling \$100,310.

Therefore, with the Agency's concurrence, the funding source for the following items has been reclassified to Other Funds and in the amount specified below:

- Item No. 12 – Wells Fargo Term Loan. The Agency requests \$4,634,189 of RPTTF; however Finance is reclassifying \$100,310 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 \$100,310 in available Other Funds. Therefore, Finance is approving RPTTF in the amount of \$4,533,879 and the use of Other Funds in the amount of \$100,310, totaling \$4,634,189.

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. 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 item denied in whole or in part or item that has been reclassified, Finance is not objecting to the remaining items listed on your ROPS 14-15B. If you disagree with the determination with respect to any items on your ROPS 14-15B, you may request a Meet and Confer within five business days of the date of this letter. The Meet and Confer process and guidelines are available at Finance's website below:

http://www.dof.ca.gov/redevelopment/meet_and_confer/

The Agency's maximum approved RPTTF distribution for the reporting period is \$12,410,884 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	12,325,127
Total RPTTF requested for administrative obligations	369,754
Total RPTTF requested for obligations on ROPS	\$ 12,694,881
Total RPTTF requested for non-administrative obligations	12,325,127
<u>Reclassified Items</u>	
Item No. 31	(12,000)
	(12,000)
Total RPTTF for non-administrative obligations	12,313,127
<u>Cash Balances - Item reclassified to other funding sources</u>	
Item No. 12	(100,310)
Total RPTTF authorized for non-administrative obligations	\$ 12,212,817
Total RPTTF requested for administrative obligations	369,754
<u>Reclassified Item</u>	
Item No. 31	12,000
Administrative costs in excess of the cap (see Admin Cost Cap table below)	(12,360)
Total RPTTF authorized for administrative obligations	\$ 369,394
Total RPTTF authorized for obligations	\$ 12,582,211
ROPS 13-14B prior period adjustment	(171,327)
Total RPTTF approved for distribution	\$ 12,410,884

Administrative Cost Cap Calculation	
Total RPTTF for 14-15A (July through December 2014)	15,184,315
Total RPTTF for 14-15B (January through June 2015)	12,313,127
Total RPTTF for fiscal year 2014-2015	27,497,442
Allowable administrative cost for fiscal year 2014-15 (Greater of 3% or \$250,000)	824,923
Administrative allowance for 14-15A (July through December 2014)	455,529
Allowable RPTTF distribution for administrative cost for ROPS 14-15B	369,394
Total RPTTF administrative obligations after Finance adjustments	381,754
Administrative costs in excess of the cap	\$ (12,360)

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. The Agency was able to support most of the balances reported; however, it appears that the Agency did not report all cash balances available, such as the ROPS 13-14A PPA in amount of \$3,664,130. Finance will continue to work with the Agency after the ROPS 14-15B review period to resolve any remaining issues as described above. If it is determined the Agency possesses additional 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),

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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 Cindie Lor, Supervisor or Hugo Lopez, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Acting Program Budget Manager

cc: Ms. Barbara Collins, Housing Manager, City of Santa Monica
Ms. Kristina Burns, Manager, Department of Auditor-Controller, Los Angeles County
California State Controller's Office