



November 6, 2014

Ms. Daphne Hodgson, Deputy City Manager-Administrative Services
City of Seaside
440 Harcourt Avenue
Seaside, CA 93955

Dear Ms. Hodgson:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Seaside Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15B) to the California Department of Finance (Finance) on September 25, 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:

- Item No. 42 – Sunbay Loan Payment Reserve, funded by RPTTF and Reserve Balances, is denied. HSC section 34177 (b) allows reserves required for indentures, trust indentures, or similar documents governing the issuance of outstanding RDA bonds. However, the statute does not currently recognize all obligations, thus the creation of reserves for this obligation is not permissible. Therefore, this item is not eligible for Redevelopment Property Tax Trust Funds (RPTTF) in the amount of \$1,402,425, nor Reserve Balances in the amount of \$300,000.
- Claimed administrative costs exceed the allowance by \$149. HSC section 34171 (b) limits fiscal year 2014-15 administrative expenses to three percent of property tax allocated to the Agency or \$250,000, whichever is greater. The Monterey County Auditor-Controller's Office distributed \$125,149 in administrative costs for the July through December 2014 period, thus leaving a balance of \$124,851 available for the January through June 2015 period. Although \$125,000 is claimed for administrative cost, only \$124,851 is available pursuant to the cap. Therefore, \$149 of excess administrative cost is not allowed.

With Agency's concurrence, Finance reclassified the funding source for the following item:

- Item No. 41 – Reserve for 2003 Tax Allocation Bonds debt service payment. The Agency requests \$1,048,838; however, Finance is reclassifying \$359,729 to Reserve Balances. The Agency requests \$300,000 in Reserves Balances for Item No. 42; however, as determined above, that item is denied as an enforceable obligation.

Additionally, the Agency reported spending \$309,729 in administrative costs for the

2013-14 fiscal year; \$184,729 in the ROPS 13-14A period and \$125,000 in the ROPS 13-14B period. Pursuant to HSC 34171 (b), the Agency was authorized \$250,000 for administrative expenditures for the 2013-14 fiscal year. Therefore, the excess \$59,729, spent from Reserve Balances in the ROPS 13-14B period, has been reclassified to Item No. 41 in the ROPS 14-15B period. Therefore, Finance is approving RPTTF funding in the amount of \$689,109 and the use of Reserve Balances in the amount of \$359,729 (\$300,000 + \$59,729), totaling \$1,048,838.

Finance further notes Item Nos. 9, 10, 12, 17, 18, 26 through 28, 34, 35, 39, and 40 may contain more than one contract and more than one payee. On future ROPS, list each contract as a separate obligation with its own item number. Pursuant to HSC section 34177 (m) (1), the Agency is required to complete the ROPS in a manner provided by Finance.

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.

Additionally, the amount of RPTTF approved in the below table include excess prior period adjustment of \$1,571,577 for the ROPS 14-15B period. The current approved RPTTF is insufficient allow for the prior period adjustment of \$ 2,426,774 during this ROPS period. 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. As the Agency will possess 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.

Except for the items 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. 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 zero 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	2,492,500
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations on ROPS	\$ 2,617,500
Total RPTTF requested for non-administrative obligations	2,492,500
<u>Denied Item</u>	
Item No. 42	(1,402,425)
<u>Reclassified Item</u>	
Item No. 41	(359,729)
Total RPTTF authorized for non-administrative obligations	\$ 730,346
Total RPTTF requested for administrative obligations	125,000
Administrative costs in excess of the cap (see Admin Cost Cap table below)	(149)
Total RPTTF authorized for administrative obligations	\$ 124,851
Total RPTTF authorized for obligations	\$ 855,197
ROPS 13-14B prior period adjustment (PPA)	(2,426,774)
Excess PPA	1,571,577
Total RPTTF approved for distribution	0
Administrative Cost Cap Calculation	
Total RPTTF for 14-15A (July through December 2014)	2,457,335
Total RPTTF for 14-15B (January through June 2015)	730,346
Less approved unfunded obligations from prior periods	0
Total RPTTF for fiscal year 2014-2015	3,187,681
Allowable administrative cost for fiscal year 2014-15 (Greater of 3% or \$250,000)	250,000
Administrative allowance for 14-15A (July through December 2014)	125,149
Allowable RPTTF distribution for administrative cost for ROPS 14-15B	124,851
Total RPTTF administrative obligations after Finance adjustments	125,000
Administrative costs in excess of the cap	\$ (149)

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 Nichelle Thomas, Supervisor or Alexander Watt, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Acting Program Budget Manager

cc: Ms. Lisa Brinton, Redevelopment Project Manager, City of Seaside
Ms. Julie Aguero, Auditor Controller Analyst II, Monterey County
California State Controller's Office