

December 17, 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

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated November 6, 2014. 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 Finance on September 25, 2014, for the period of January through June 2015. Finance issued a ROPS determination letter on November 6, 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 November 19, 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.

- Item No. 41 – Reserve for 2003 Tax Allocation Bonds debt service payment. The Agency requests \$1,048,838; however, Finance initially reclassified \$359,729 to Reserve Balances. The amount reclassified consists of the \$300,000 in Reserves Balances denied in Item No. 42, as discussed in the following page. Additionally, the Agency reported spending \$309,729 in administrative costs for the 2013-14 fiscal year or \$59,729 in excess of the authorized amount pursuant to HSC 34171 (b).

During the Meet and Confer process, the Agency contended that the additional \$59,729 spent on the administrative costs came from a permanent City of Seaside General Fund transfer, not Reserve Balances. Therefore, Agency funds were not used to cover the administrative costs in excess of the \$250,000 administrative cap. HSC section 34173 (h) allows a city that authorized the creation of a redevelopment agency to grant funds to a successor agency for administrative costs. As such, Finance is approving Redevelopment Property Tax Trust Funds (RPTTF) funding in the amount of \$748,838 and the use of Reserve Balances in the amount of \$300,000, totaling the \$1,048,838 requested.

Finance notes that pursuant to HSC section 34183 (a) (2) (A), debt service payments have first priority for payment from distributed RPTTF funding. As such, the additional

\$1,048,838 requested to be held in reserve should be transferred upon receipt to the bond trustee(s) along with the amounts approved for the other ROPS 14-15B debt service payments prior to making any other payments on approved ROPS items. Any requests to fund these items again in the July through December ROPS (ROPS 15-16A) period will be denied unless insufficient RPTTF is received to satisfy both the debt service payments due during the ROPS 14-15B period and the reserve amounts requested in ROPS 14-15B for the ROPS 15-16A debt service payments. When requesting to expend the reserve amount requested in ROPS 14-15B during the ROPS 15-16A period, the Agency should list the amount transferred to the bond trustee(s) under Reserve Balances and request any remaining funding needed from RPTTF.

- Item No. 42 – Sunbay Loan Payment Reserve, funded by RPTTF and Reserve Balances, was denied. Finance continues to deny this item. Finance denied this item as 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 reserves for all obligations, thus the creation of reserves for this obligation is not permissible. Therefore, this item is not eligible for RPTTF in the amount of \$1,402,425, nor for Reserve Balances in the amount of \$300,000.

During the Meet and Confer process, the Agency requested clarification on the process to request the use of the excess prior period adjustment of \$1,511,848 (described on the following page) during the ROPS 15-16A period for this item. The prior period adjustment is an offset to the amount of RPTTF requested as these are funds already distributed from the RPTTF in a prior period, but not expended. Therefore, the Agency should request the total amount of funding needed from the RPTTF and an offset will be made by Finance in the amount of the excess prior period adjustment to arrive at the actual RPTTF amount to be disbursed by the county auditor-controller (CAC).

- Finance initially noted that 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 and the Agency should list each contract as a separate obligation with its own item number on future ROPS. During the Meet and Confer process, the Agency requested that these items be allowed to remain as presented for future ROPS. Based upon further review, Item No. 9 is an excess bond proceeds obligation, Item Nos. 10 and 35 have been retired, and Item Nos. 17, 18, 26, and 39 are part of the administrative cost allowance; therefore, these items do not need to be separated by specific contract. However, Item Nos. 12, 27, 28, 34, and 40 should identify the specific payee(s) and/or contract(s). Pursuant to HSC section 34177 (m) (1), the Agency is required to complete the ROPS in a manner provided by Finance.

In addition, per Finance's letter dated November 6, 2014, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

- 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.

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 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 \$1,511,848 for the ROPS 14-15B period. The current approved RPTTF is insufficient to allow for the prior period adjustment of \$2,426,774 during this ROPS period. 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. 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. The Agency's maximum approved RPTTF distribution for the reporting period is zero as summarized in the Approved RPTTF Distribution Table below:

<b>Approved RPTTF Distribution</b>	
<b>For the period of January through June 2015</b>	
Total RPTTF requested for non-administrative obligations	2,492,500
Total RPTTF requested for administrative obligations	125,000
<b>Total RPTTF requested for obligations on ROPS</b>	<b>\$ 2,617,500</b>
<b>Total RPTTF requested for non-administrative obligations</b>	<b>2,492,500</b>
<u>Denied Item</u>	
Item No. 42	(1,402,425)
<u>Reclassified Item</u>	
Item No. 41	(300,000)
<b>Total RPTTF authorized for non-administrative obligations</b>	<b>\$ 790,075</b>
<b>Total RPTTF requested for administrative obligations</b>	<b>125,000</b>
Administrative costs in excess of the cap (see Admin Cost Cap table below)	(149)
<b>Total RPTTF authorized for administrative obligations</b>	<b>\$ 124,851</b>
<b>Total RPTTF authorized for obligations</b>	<b>\$ 914,926</b>
ROPS 13-14B prior period adjustment (PPA)	(2,426,774)
Excess PPA	1,511,848
<b>Total RPTTF approved for distribution</b>	<b>0</b>

<b>Administrative Cost Cap Calculation</b>	
Total RPTTF for 14-15A (July through December 2014)	2,457,335
Total RPTTF for 14-15B (January through June 2015)	790,075
Less approved unfunded obligations from prior periods	0
<b>Total RPTTF for fiscal year 2014-2015</b>	<b>3,247,410</b>
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
<b>Allowable RPTTF distribution for administrative cost for ROPS 14-15B</b>	<b>124,851</b>
Total RPTTF administrative obligations after Finance adjustments	125,000
<b>Administrative costs in excess of the cap</b>	<b>\$ (149)</b>

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.

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Please direct inquiries to Evelyn Suess, Dispute Resolution Supervisor, or Mary Halterman, 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