DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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November 7, 2014

Mr. John Meyer, Redevelopment and Housing Director
City of Vista
200 Civic Center Drive
Vista, CA 92084

Dear Mr. Meyer:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Vista 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. 72 – Transfer of unencumbered 2011 Tax Allocation Bond Proceeds in the amount of $14,017,296 is denied. Finance denies the request to fund this item as a result of Finance's OB Resolution No. 2014-23 determination letter dated September 30, 2014. OB Resolution No. 2014-23 references Assembly Bill 2493, which was vetoed by the Governor on September 29, 2014; therefore, the OB does not have authority to take action contrary to existing law.

  Pursuant to HSC section 34191.4 (c), the Agency is allowed to use bond proceeds derived from bonds issued on or before December 31, 2010. The 2011 tax-exempt bonds were issued on June 17, 2011. Therefore, the bond proceeds are not eligible for expenditure.

- Claimed administrative costs exceed the allowance by $52,076. HSC section 34171 (b) limits fiscal year 2014-2015 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 $358,783 in administrative expenses. The San Diego County Auditor-Controller's (CAC) Office distributed $220,000, thus leaving a balance of $138,783 available for the January through June 2015 period. Although $138,271 is claimed for administrative cost, Item No. 58 for a Cooperative Agreement in the amount of $52,579 is considered an administrative expense and should be counted toward the cap. Therefore, $52,076 of excess administrative cost 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 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. The Agency provided financial records that displayed available Other Funds totaling $43,118.

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

- Item No. 26 – Relocation Obligations in the amount of $29,868. The Agency is requesting $60,000 of RPTTF; however, Finance is reclassifying $29,868 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 $43,118 in available Other Funds. Therefore, Finance is approving the use of Other Funds in the amount of $29,868 and $30,132 in RPTTF Funds, totaling $60,000.

- Item No. 40 – Asset Property Management in the amount of $5,000. The Agency is requesting $5,000 of RPTTF; however, Finance is reclassifying this item to Other Funds in the amount of $5,000. 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 $13,250 ($43,118 - $29,868) in available Other Funds. Therefore, Finance is approving the use of Other Funds in the amount of $5,000.

- Item No. 41 – Utility Services in the amount of $3,250. The Agency is requesting $3,250 of RPTTF; however, Finance is reclassifying the $3,250 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 $8,250 ($13,250 - $5,000) in available Other Funds. Therefore, Finance is approving the use of Other Funds in the amount of $3,250.

- Item No. 42 – Contract for professional services in the amount of $5,000. The Agency is requesting $5,000 of RPTTF; however, Finance is reclassifying the $5,000 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 $5,000 ($8,250 - $3,250) in available Other Funds. Therefore, Finance is approving the use of Other Funds in the amount of $5,000.

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 audit by the CAC and the State Controller. The amount of RPTTF approved in the table below includes the prior period adjustment resulting from the CAC's review 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 $4,191,411 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		4,975,410
Total RPTTF requested for administrative obligations		138,271
Total RPTTF requested for obligations on ROPS	**$**	**5,113,681**
Total RPTTF requested for non-administrative obligations		**4,975,410**
Reclassified Item		
Item No. 58		(52,579)
Total RPTTF for non-administrative obligations		**4,922,831**
Cash Balances - Items reclassified to Other Funds		
Item No. 26		(29,868)
Item No. 40		(5,000)
Item No. 41		(3,250)
Item No. 42		(5,000)
		(43,118)
Total RPTTF authorized for non-administrative obligations	**$**	**4,879,713**
Total RPTTF requested for administrative obligations		**138,271**
Reclassified Item		
Item No. 21		52,579
Administrative costs in excess of the cap (see Admin Cost Cap table below)		(52,067)
Total RPTTF authorized for administrative obligations	**$**	**138,783**
Total RPTTF authorized for obligations	**$**	**5,018,496**
ROPS 13-14B prior period adjustment		(827,085)
Total RPTTF approved for distribution	**$**	**4,191,411**

Administrative Cost Cap Calculation		
Total RPTTF for 14-15A (July through December 2014)		7,036,595
Total RPTTF for 14-15B (January through June 2015)		4,922,831
Total RPTTF for fiscal year 2014-2015		**11,959,426**
Allowable administrative cost for fiscal year 2014-15 (Greater of 3% or $250,000)		358,783
Administrative allowance for 14-15A (July through December 2014)		220,000
Allowable RPTTF distribution for administrative cost for ROPS 14-15B		**138,783**
Total RPTTF administrative obligations after Finance adjustments		190,850
Administrative costs in excess of the cap	**$**	**(52,067)**

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: Mr. Jonathon Stone, Assistant City Attorney, City of Vista
Mr. Jon Baker, Senior Auditor and Controller Manager, San Diego County
California State Controller's Office