



March 25, 2015

Ms. Rachel Hurst, Director of Community Development
City of Coronado
1825 Strand Way
Coronado, CA 92118

Dear Ms. Hurst:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Coronado Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 15-16A) to the California Department of Finance (Finance) on February 23, 2015 for the period of July 1 through December 31, 2015. Finance has completed its review of your ROPS 15-16A, 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 Nos. 11 through 19 – Loan Agreements between the City of Coronado (City) and the Agency totaling \$39,510,573 are not enforceable obligations. Finance denied these items because it is our understanding these loans were issued before June 27, 2011, and after the first two years of the redevelopment agency's (RDA) creation. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city that created the RDA and the former RDA are not enforceable, unless issued within two years of the RDA's creation date or for issuance of indebtedness to third-party investors or bondholders. These loans were issued after the first two years of the former RDA's creation and are not associated with the issuance of debt. In addition, the enforceability of these items is currently being addressed at the appellate court. Therefore, these items are not eligible for Redevelopment Property Tax Trust Fund (RPTTF) on this ROPS.
- Item No. 54 – Housing Administrative Costs in the requested amount of \$287,000 and the total outstanding amount of \$765,000 are not enforceable obligations. HSC section 34176 (a) (1) states if a city, county, or city and county elects to retain the authority to perform housing functions previously performed by a RDA, all rights, powers, duties, obligations, and housing assets shall be transferred to the city, county, or city and county. Since the City assumed the housing functions, the administrative costs associated with these functions are the responsibility of the housing successor. Therefore, this item is not an enforceable obligation and is not eligible for RPTTF funding on this ROPS.

- Claimed administrative costs exceed the allowance by \$62,000. HSC section 34171 (b) limits fiscal year 2015-16 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 \$250,000 in administrative expenses. Although \$312,000 is claimed for administrative cost, only \$250,000 is available pursuant to the cap. Therefore, \$62,000 of excess administrative cost is not allowed.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 15-16A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 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 review of the Agency's self-reported prior period adjustment.

Except for the items denied in whole or in part, Finance is not objecting to the remaining items listed on your ROPS 15-16A. If you disagree with the determination with respect to any items on your ROPS 15-16A, 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 \$8,305,792 as summarized in the Approved RPTTF Distribution table below:

Approved RPTTF Distribution	
For the period of July through December 2015	
Total RPTTF requested for non-administrative obligations	47,853,365
Total RPTTF requested for administrative obligations	312,000
Total RPTTF requested for obligations on ROPS	\$ 48,165,365
Total RPTTF requested for non-administrative obligations	48,165,365
Denied Items	
Item No. 11	(7,007,726)
Item No. 12	(1,182,563)
Item No. 13	(21,161,153)
Item No. 14	(1,092,620)
Item No. 15	(36,555)
Item No. 16	(1,264,041)
Item No. 17	(79,149)
Item No. 18	(4,903,241)
Item No. 19	(2,783,525)
Item No. 54	(287,000)
	(39,797,573)
Total RPTTF authorized for non-administrative obligations	\$ 8,055,792
Total RPTTF requested for administrative obligations	312,000
Administrative costs in excess of the cap (see Admin Cost Cap table below)	(62,000)
Total RPTTF authorized for administrative obligations	\$ 250,000
Total RPTTF authorized for obligations	\$ 8,305,792
ROPS 14-15A prior period adjustment	0
Total RPTTF approved for distribution	\$ 8,305,792

Administrative Cost Cap Calculation	
Total RPTTF for non-administrative obligations	8,055,792
Percent allowed pursuant to HSC section 34171 (b)	3%
Total RPTTF at 3%	241,674
Total RPTTF allowable for administrative obligations	250,000
Total RPTTF administrative obligations after Finance adjustments	312,000

Please refer to the ROPS 15-16A 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 July 1 through December 31, 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 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 Jared Smith, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Program Budget Manager

cc: Ms. Rhonda Huth, Senior Management Analyst, City of Coronado
Mr. Jon Baker, Senior Auditor and Controller Manager, San Diego County
California State Controller's Office